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2971

No. 15104

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United States  
Court of Appeals  
for the Ninth Circuit

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ORIENTAL FOODS, INC., a corporation,  
Appellant,

vs.

CHUN KING SALES, INC., and JENO F.  
PAULUCCI, Appellees.

CHUN KING SALES, INC., and JENO F.  
PAULUCCI, Appellants,

vs.

ORIENTAL FOODS, INC., a corporation,  
Appellee.

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Transcript of Record

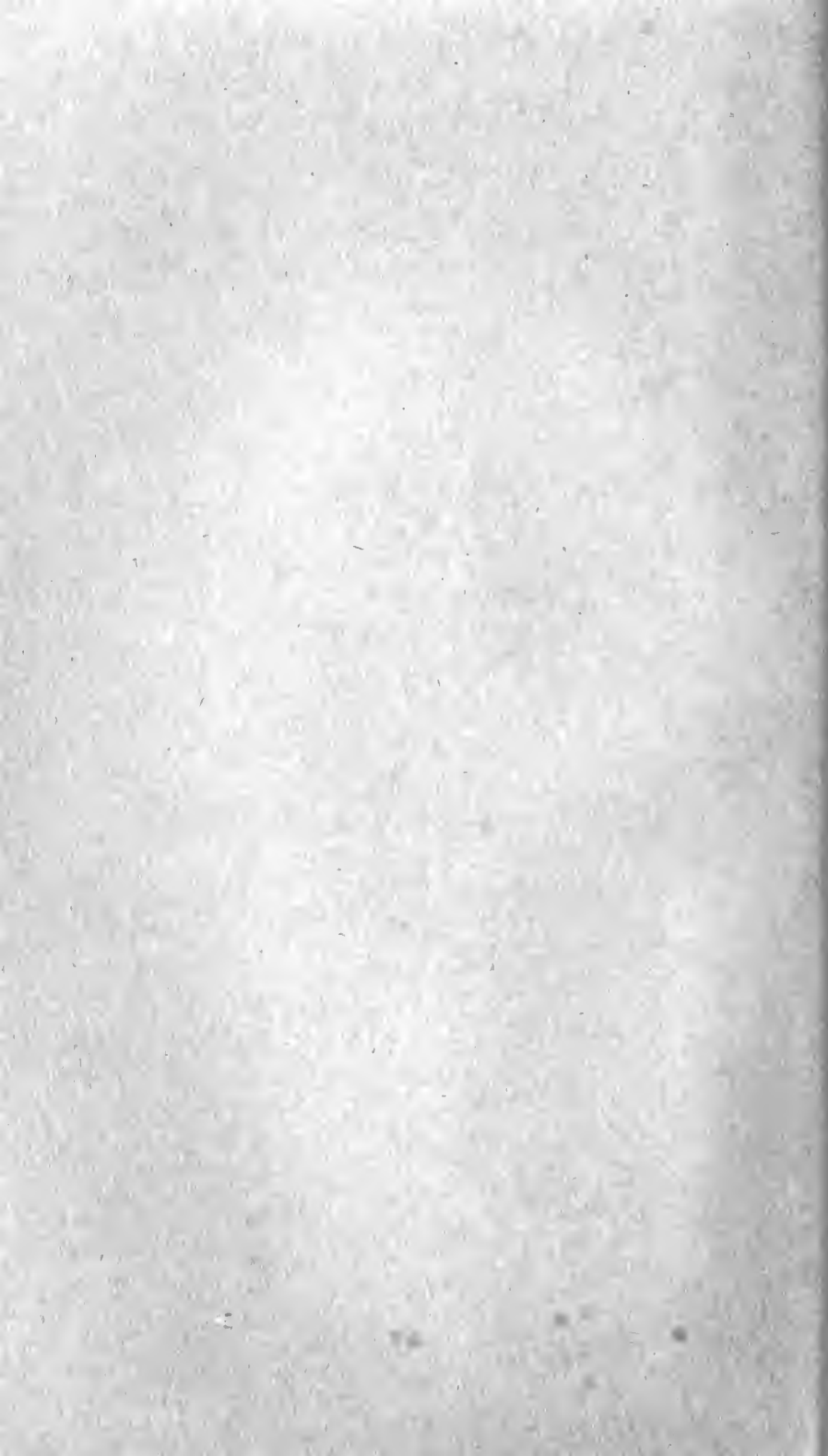
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In Three Volumes  
Volume I.  
(Pages 1 to 272, inclusive)

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Appeals from the United States District Court for the  
Southern District of California,  
Central Division

FILED  
DEC - 3 1956





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\* Page numbering appearing at foot of page of original certified Transcript of Record.





In the United States District Court, Southern  
District of California, Central Division

Civil Action No. 17882-Y

CHUN KING SALES, INC., and JENO F.  
PAULUCCI, Plaintiffs,  
vs.

ORIENTAL FOODS, INC., Defendant.

### COMPLAINT

For infringement of United States Letters Patent  
Number 2,679,281 and for Unfair Competition  
and Trade Practices.

Plaintiffs Chun King Sales, Inc., and Jeno F.  
Paulucci, for causes of action and complaint against  
the Defendant allege as follows:

#### I.

Plaintiff Chun King Sales, Inc. is a corporation  
organized and existing under the laws of the State  
of Minnesota and it is duly licensed to transact  
business within the State of Minnesota and has its  
principal place of business at Duluth, County of  
St. Louis, Minnesota.

#### II.

Plaintiff Jeno F. Paulucci is a citizen of the  
United States of America and a resident of Du-  
luth, County of St. Louis, Minnesota and is Presi-  
dent of the Plaintiff, Chun King Sales, Inc. [2]

## III.

Defendant Oriental Foods, Inc. is a corporation organized and existing under the laws of the State of California and has its principal place of business or one of its main business branches and a place of manufacture at 7272 East Gage Avenue, Bell (Bell Gardens), County of Los Angeles, California.

## IV.

This Court has jurisdiction of this cause of action because the subject matter in controversy arises under the patent laws of the United States and because the acts of infringement hereinafter complained of were and are being committed in Los Angeles County, California, and because the parties to this action are residents of different states and because the amounts in controversy are well in excess of Three Thousand Dollars (\$3,000.00).

## V.

Plaintiff Jeno F. Paulucci conceived, developed and perfected certain novel and unique methods and apparatus for rigidly and positively securing cans together in an end-to-end relationship, whereby the handling and marketing of the same when filled with goods is facilitated.

## VI.

Plaintiff Jeno F. Paulucci in cooperation with the Plaintiff, Chun King Sales, Inc. tested these methods and apparatus for use on a large-scale-production basis in order to determine whether

these methods and apparatus were uniquely adapted for securing cans together in an end-to-end [3] relationship so that it might become feasible and practical, for the first time in the marketing of canned goods, to ship and market such canned goods in combinations of two or more cans connected in an end-to-end relationship and as a single unit.

## VII.

Through the development and perfection of these methods and apparatus by said Plaintiff Jeno F. Paulucci, the assembly, shipment, handling, display, and sale of canned goods in combinations of two or more cans rigidly and positively connected in an end-to-end relationship and as a single unit, became feasible and practical for the first time in history.

## VIII.

Plaintiff, Jeno F. Paulucci, after investigating the probable patentability of these novel methods and apparatus, on May 14, 1952 filed an application, Serial Number 287,729, for United States Letters Patent through his attorney, said application later developing into United States Letters Patent Number 2,679,281 duly and legally issued to Jeno F. Paulucci on May 25, 1954. Said patent is directed toward the methods and apparatus conceived, developed, perfected and tested by said Plaintiff, Jeno F. Paulucci, as described in preceding paragraphs V, VI and VII. A soft copy of said patent is attached hereto and made a part hereof as Plaintiff's Exhibit Number 1.

## IX.

Plaintiff, Jeno F. Paulucci, is the sole owner of the entire right, title and interest, both legal and [4] equitable, to said United States Letters Patent Number 2,679,281. Plaintiff, Jeno F. Paulucci, has made the Plaintiff, Chun King Sales, Inc., the exclusive licensee under said United States Letters Patent Number 2,679,281.

## X.

Plaintiff, Chun King Sales, Inc., in cooperation with said Plaintiff, Jeno F. Paulucci, assembled, shipped, displayed, introduced and sold to the public for the first time, canned goods in combinations of two or more cans rigidly and positively connected together in an end-to-end relationship and as a single unit.

## XI.

Since on or about January 1, 1952, Plaintiff, Chun King Sales, Inc., has conducted an extensive advertising campaign throughout the United States wherein the attention of the public has been directed to the assembly and display of canned Oriental-type foods by the Plaintiff, Chun King Sales, Inc., in two or more can units characterized by the uniquely secured end-to-end relationship of the can. In particular Plaintiff, Chun King Sales, Inc. has extensively advertised and displayed on television programs in California in the Los Angeles and San Francisco areas Oriental-type foods packed in two or more can units, the cans thereof being secured

in said end-to-end relationship in accordance with the disclosures of said United States Letters Patent Number 2,679,281.

## XII.

As a result of such advertising and of the pioneering of the field by Plaintiff, Chun King Sales, Inc., in assembling and offering for sale canned goods in such [5] units, the purchasing public has come to recognize canned goods, and especially canned goods of Oriental-type food, so assembled and offered for sale as having originated from the Plaintiff, Chun King Sales, Inc.

## XIII.

Defendant, Oriental Foods, Inc., since the issue of said United States Letters Patent Number 2,679,281 and prior to the filing of this complaint, and within this District, has been and, on information and belief, still is infringing said United States Letters Patent Number 2,679,281 by making and/or procuring the apparatus and equipment, and by using and causing to be used said apparatus and equipment, as disclosed and claimed in said patent, and by using the methods disclosed and claimed in said patent to assemble combinations of two or more cans into a single unit wherein the cans are rigidly and positively secured in an end-to-end relationship.

## XIV.

Defendant has had both actual and constructive notice of the issuance of said patent Number 2,679,281 and of its infringement by Defendant, but

nevertheless has continued to wilfully, wantonly and deliberately infringe said patent, and apparently will continue to wilfully and wantonly infringe this patent unless enjoined by this Court.

## XI.

The Oriental-type foods sold by Plaintiff, Chun King, Sales, Inc., have enjoyed an enviable reputation for good quality and taste and the Plaintiff, Chun King Sales, Inc., through the extensive sales of food products [6] of such good quality over a long period of time, has acquired a valuable business reputation for manufacturing and selling only foods of high quality, and has developed valuable good-will throughout the purchasing public.

## XVI.

Defendant, Oriental Foods, Inc., has studiously patterned the general dress, style, arrangement and appearance of assemblies of two or more cans of Oriental-type foods which it has sold, and is currently selling, after the general dress, style, arrangement and appearance of the combination units of two or more cans of Oriental-type foods sold by Chun King Sales, Inc. This patterning of the general dress, style, arrangement and appearance of its two or more can assemblies of Oriental-type foods after the general dress, style, arrangement and appearance of the combination units sold by Chun King Sales, Inc., was and is for the purpose of deceiving the purchasing public into believing it



is purchasing food products of the Plaintiff, Chun King Sales, Inc. while actually it is purchasing Defendant's competitive food products.

## XVII.

As a result of the simulation by Defendant of the general appearance of the combination units of two or more cans of Oriental-type foods rigidly secured together in end-to-end relationship as sold by Plaintiff, Chun King Sales, Inc., as defined in the immediately preceding paragraph, many of the purchasing public have been deceived and misled into purchasing Defendant's Oriental-type food products instead of the Oriental-type food products of Plaintiff, Chun King Sales, Inc., and have actually purchased Defendant's Oriental-type [7] food products in the belief they were purchasing Oriental-type foods products offered for sale by Plaintiff, Chun King Sales, Inc.

## XVIII.

Defendant, Oriental Foods, Inc., has sold and is currently selling in its two or more can assemblies defined in the preceding paragraph XVI, Oriental-type food of an inferior grade and at a lower price as compared to that sold by Plaintiff, Chun King Sales, Inc., in its combination units referred to in said paragraph, and as a result has damaged the business reputation and good-will of Plaintiff, Chun King Sales, Inc., and the reputation for high quality which Plaintiff's food products enjoy.

## XIX.

Defendant, Oriental Foods, Inc., through said patent infringement and through said acts of unfair competition has obtained substantial unlawful gains and profits and Plaintiffs, Jeno F. Paulucci and Chun King Sales, Inc., as a result of said unlawful acts of Defendant have suffered substantial loss of sales and have suffered such irreparable damage and injury to their business reputation and goodwill and have suffered substantial loss of business, for all of which there is no adequate remedy at law. Plaintiffs will continue to suffer irreparable damage until such time as Defendant is enjoined from its illegal acts. [8]

Wherefore Plaintiffs Pray:

(1) For a preliminary injunction and then a permanent injunction restraining the Defendant, its officers, agents, attorneys, employees and all in privity with it, from further manufacturing, procuring and using the apparatus disclosed and claimed in said United States Letters Patent Number 2,679,281 and from further utilizing the methods disclosed and claimed in said patent in the assembly of two or more cans into units with the cans rigidly and positively secured together in end-to-end relationship, including the pieces of apparatus now in the possession of and being presently utilized by the Defendant, and from further acts of unfair competition and trade practices as complained of herein, including the offering for sale of Oriental-type food products in package units or

assemblies consisting of two or more cans rigidly and positively secured together in end-to-end relationship as disclosed in said patent Number 2,679,281 and resembling the general arrangement, dress, style and appearance of the package units in which Plaintiff, Chun King Sales, Inc. sells its Oriental-type foods.

(2) For damages against Defendant, Oriental Foods, Inc., for its acts of unfair competition and trade practices against the Plaintiff, Chun King Sales, Inc. resulting in injury to the reputation of Plaintiff, Chun King Sales, Inc., for Oriental-type foods of high quality, excellent taste and flavor, and to its business reputation and its good-will, and for its loss of sales as a result of confusing the purchasing public into believing it was purchasing Plaintiff, Chun King Sales, Inc.'s products when it was actually buying Defendant's products, all to the amount of One Hundred Thousand Dollars (\$100,000.00). [9]

(3) For an accounting of profits and damages due Plaintiff through Defendant's herein defined acts of infringement of said United States Letters Patent Number 2,679,281, and because of the wilful, wanton, and deliberate nature of Defendant's acts of infringement, for treble damages which, upon information and belief, appear well in excess of One Hundred Fifty Thousand Dollars (\$150,000.00), because of Defendant's infringing acts.

(4) For full costs and interest and Plaintiff's disbursements herein.

(5) For an award of reasonable attorney's fees against the Defendant.

(6) For such other and further relief as the Court may deem just and equitable.

February 3, 1955.

[Seal] CHUN KING SALES, INC.

/s/ By JENO F. PAULUCCI,

Its President

/s/ By JENO F. PAULUCCI,

Attest: /s/ ELIZABETH PAULUS SUNIUN

Secretary,

Chun King Sales, Inc.

/s/ EVERETT J. SCHROEDER

WILLIAMSON, SCHROEDER,

ADAMS & MEYERS

Attorneys for Plaintiffs. [10]

[Note: Exhibit No. 1—Patent No. 2,679,281  
is set out in the Book of Exhibits.]

[Endorsed]: Filed Feb. 16, 1955. [11]

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[Title of District Court and Cause.]

## ANSWER AND COUNTERCLAIM

Now comes the defendant, Oriental Foods, Inc., and in answer to the Complaint, alleges, avers, and denies as follows:

### I.

Answering paragraph I of the Complaint, defendant is without knowledge or information suffi-

cient to form a belief as to the truth of the averments thereof.

## II.

Answering paragraph II of the Complaint, defendant admits the averments thereof.

## III.

Answering paragraph III of the Complaint, defendant admits the averments thereof. [15]

## IV.

Answering paragraph IV of the Complaint, defendant admits that the alleged acts of infringement complained of in the Complaint were and are being committed in Los Angeles County, California, and that the parties to this action are residents of different states, and that the controversy relating to such alleged infringement arises under the patent laws of the United States, but denies the other averments thereof.

## V.

Answering paragraph V of the Complaint, the defendant is without knowledge or information sufficient to form a belief as to the truth of the averments thereof.

## VI.

Answering paragraph VI of the Complaint, defendant is without knowledge or information sufficient to form a belief as to the truth of the averments thereof.

## VII.

Answering paragraph VII of the Complaint, defendant is without knowledge or information sufficient to form a belief as to the truth of the averments thereof.

## VIII.

Answering paragraph VIII of the Complaint, defendant admits that plaintiff Jeno F. Paulucci on May 14, 1952, filed an application, Serial No. 287,729, for United States Letters Patent through his attorney, said application later developing into United States Letters Patent No. 2,679,281, which issued to Jeno F. Paulucci on May 25, 1954, and that a soft copy of said patent is attached to the Complaint and made a part thereof as plaintiffs' "Exhibit Number 1," and defendant is without knowledge or information [16] sufficient to form a belief as to the truth of the other averments thereof.

## IX.

Answering paragraph IX of the Complaint, defendant is without knowledge or information sufficient to form a belief as to the truth of the averments thereof.

## X.

Answering paragraph X of the Complaint, defendant is without knowledge or information sufficient to form a belief as to the truth of the averments thereof.

## XI.

Answering paragraph XI of the Complaint, defendant is without knowledge or information suffi-

cient to form a belief as to the truth of the averments thereof.

## XII.

Answering paragraph XII of the Complaint, defendant is without knowledge or information sufficient to form a belief as to the truth of the averments thereof.

## XIII.

Answering paragraph XIII of the Complaint, defendant denies each and every averment thereof.

## XIV.

Answering paragraph XIV of the Complaint, defendant admits that it has had actual notice of the issuance of said patent No. 2,679,281 and of its alleged infringement by defendant, but denies each and every other averment thereof.

## XV.

Answering paragraph XV of the Complaint, defendant is without knowledge or information sufficient to form a belief as [17] to the truth of the averments thereof.

## XVI.

Answering paragraph XVI of the Complaint, the defendant denies each and every averment thereof.

## XVII.

Answering paragraph XVII of the Complaint, defendant is without knowledge or information sufficient to form a belief as to the truth of the averments thereof.

## XVIII.

Answering paragraph XVIII of the Complaint, defendant denies each and every averment thereof.

## XIX.

Answering paragraph XIX of the Complaint, defendant denies each and every averment thereof.

Further answering the Complaint with respect to the claim or cause of action for patent infringement alleged therein and for separate, alternate, and further defenses thereto, the defendant avers as follows:

## XX.

The defendant has not infringed Letters Patent No. 2,679,281, or any claim or claims thereof.

## XXI.

None of the alleged inventions or discoveries claimed in Letters Patent No. 2,679,281 were patentable to the alleged inventor named therein, under the provisions of Sections 101, 102, and 103 of Title 35 of the United States Code, and therefore said patent is, and each and every claim thereof is, invalid and void. [18]

## XXII.

All the claims of Letters Patent No. 2,679,281 are invalid, because the alleged inventions or discoveries described thereby were patented or described in certain printed publications and Letters Patent in this and foreign countries before the alleged inven-



tion or discovery thereof by the applicant for said Letters Patent.

### XXIII.

All the claims of Letters Patent No. 2,679,281 are invalid, because prior to any supposed invention or discovery by the applicant for said Letters Patent, that which is alleged to be patented by said Letters Patent, and particularly that which is described and claimed therein, and all material and substantial parts thereof, had been known to, and used by, others in this country.

### XXIV.

All the claims of Letters Patent No. 2,679,281 are invalid, because the applicant for said Letters Patent was not the original or first inventor of any material or substantial part of that which is purported to be patented in said Letters Patent, and the same thing, things and methods in all material and substantial respects had, prior to the alleged inventions or discoveries thereof by the applicant for said Letters Patent, been invented or discovered (if there be any patentable invention or discovery defined by any of said claims) by others.

### XXV.

All the claims of Letters Patent No. 2,679,281 are invalid, because the alleged inventions and discoveries purportedly defined by the claims of said Letters Patent were in public use or on sale in this country for more than one (1) year prior to the [19] application date therefor by certain persons.

## XXVI.

All the claims of Letters Patent No. 2,679,281 are invalid, because the alleged Letters Patent fails to comply with Section 112 of Title 35 of the United States Code and, in particular, in failing to particularly point out and distinctly claim the parts, improvements, combinations, or methods alleged to constitute the inventions or discoveries of said Letters Patent.

## XXVII.

All the claims of Letters Patent No. 2,679,281 are invalid, because in view of the state of the art as it existed at the time of, and long prior to, the date of each of the alleged inventions or discoveries claimed in such Letters Patent, said Letters Patent do not claim any invention or discovery, and do not involve any invention or discovery or contain any patentable novelty, but consist of the mere adoption of well-known methods or devices for the required uses involving ordinary faculties of reasoning and the skill expected of one in the art to which said Letters Patent pertains.

## XXVIII.

All the claims of Letters Patent No. 2,679,281 are invalid, because said Letters Patent were not granted or issued by the Commissioner of Patents regularly or within the authority granted him under due form of law or after due proceedings were had with respect to the application filed by or on behalf of the applicant therefor, and because the Commissioner of Patents did not cause a proper examination to be made as to the alleged inventions or dis-

coveries purportedly defined by said Letters Patent, and had such examination been made properly, it would have appeared that the applicant for said Letters Patent was not entitled thereto, [20] and said Letters Patent would not have been issued, and that said Letters Patent was irregularly granted without proper or due consideration of the application for the same and without fulfillment of the necessary requirements of the Patent Office Examiner in searching the Patent Office records available to him prerequisite to granting of said Letters Patent.

### XXIX.

All the claims of Letters Patent No. 2,679,281 are invalid, because each of the claims defines merely an old combination of elements or steps in which the elements and steps operate in substantially the same way to produce substantially the same result as they did individually in the prior art.

### XXX.

All the claims of Letters Patent No. 2,679,281 are invalid, because each of said claims includes more than that which was disclosed in said Letters Patent respectively, and more than that which is purported to have been invented, and because in each of said claims the language thereof is too broad at the precise alleged point of novelty.

### XXXI.

All the claims of Letters Patent No. 2,679,281 are invalid, because the alleged inventions or discoveries purportedly defined by said claim, and each

of them, are not in fact inventions or discoveries but are the mere aggregation of old and unpatentable elements or the mere aggregation of old and unpatentable steps not amounting to a patentable combination or to a patentable method.

### XXXII.

In view of the state of the art at and before the alleged inventions or discoveries of Letters Patent No. 2,679,281, or [21] attempted to be defined in any claim or claims of said Letters Patent, said claims, or any of them, cannot now be given an interpretation, meaning or scope to cover, include or bring within the purview thereof, any devices made by or any method practiced directly or indirectly by the defendant.

### XXXIII.

While the application for Letters Patent No. 2,679,281 was pending in the Patent Office, the applicant therefor so limited and confined the disclosures and the claims of said application under the requirements of the Commissioner of Patents, or otherwise, that the plaintiff cannot now seek or obtain a construction of any of the claims of said Letters Patent sufficiently broad to cover or embrace any device made by or any method practiced directly or indirectly by the defendant.

For a counterclaim against plaintiff, defendant avers as follows:

#### A.

The defendant-counterclaimant is a corporation

organized and existing under the laws of the State of California and having its principal place of business in Bell Gardens, California.

### B.

This counterclaim arises under Section 2201 of Title 28 of the United States Code because there is an actual controversy now existing between the counterclaimant and the counterdefendant in respect of which the counterclaimant needs a declaration of its rights by this Court, which controversy arises over the question of validity and infringement of United States Letters Patent No. 2,679,281, and each and every and all of the claims thereof, alleged to be owned by plaintiff-counterdefendant, in that plaintiff-counterdefendant has charged the defendant-counterclaimant, and [22] upon information and belief has charged customers with it, with infringement of said Letters Patent.

### C.

The alleged inventions or discoveries of United States Letters Patent No. 2,679,281 are, and each and every claim thereof is, invalid and void, irrespective of any alleged infringement thereof by the defendant-counterclaimant, and the defendant-counterclaimant needs a declaratory judgment of invalidity and unenforceability of said Letters Patent, and each and every and all of the claims thereof, on the grounds set forth herein as a means of relief to it and the public at large.

## D.

The defendant-counterclaimant adopts, repeats and realleges as paragraphs E to R, inclusive, of this counterclaim, each and every one of the allegations contained in paragraphs XX to XXXIII, inclusive, of the foregoing answer with like effect as if fully repeated herein.

Wherefore, the defendant and counterclaimant prays as follows:

1. That the Complaint be dismissed with prejudice;

2. That United States Letters Patent No. 2,679,281, and each and every of the claims thereof, be declared not infringed by any act of defendant and counterclaimant;

3. That United States Letters Patent No. 2,679,281, and each and every of the claims thereof, be declared and adjudged invalid, void and unenforceable;

4. That the defendant and counterclaimant recover from plaintiff and counterdefendant its costs and disbursements herein and reasonable attorneys' fees; and [23]

5. That the defendant and counterclaimant be granted such other and further relief as may be proper.

Dated: At Los Angeles, California, this 14th day of April, 1955.

HARRIS, KIECH, FOSTER  
& HARRIS  
FORD HARRIS, JR.  
WARREN L. KERN  
WALTON EUGENE TINSLEY

/s/ By FORD HARRIS, JR.,

Attorneys for Defendant and  
Counterclaimant. [24]

Affidavit of Service by Mail attached. [25]

[Endorsed]: Filed April 14, 1955.

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[Title of District Court and Cause.]

## ANSWER TO COUNTERCLAIM

Come now plaintiffs and in answer to the counterclaim of the defendant, allege, aver and deny as follows:

1.

Answering paragraph C of the said answer and counterclaim, plaintiffs deny each and every of the allegations therein set forth.

2.

Answering paragraph D of the said answer and counterclaim, plaintiffs are without knowledge suf-

ficient to enable them to answer paragraphs XXI, XXII, XXIII, XXIV, XXV, XXVI, XXVII, XXVIII, XXIX, XXX, XXXI and XXXII of the said answer as no fact or information is pleaded or alleged in said [36] answer to formulate any basis for the legal conclusion attempted to be set forth in said paragraphs and these plaintiffs deny emphatically the legal conclusions expressed in the said paragraphs as well as the assertion of invalidity of the Letters Patent in suit as set forth in paragraph XX.

Wherefore, plaintiffs pray that the counterclaim be dismissed with prejudice and that the plaintiffs recover from the defendant and counterclaimant their costs and disbursements occasioned by the counterclaim, together with reasonable attorney's fees.

Dated: May 3, 1955.

WILLIAMSON, SCHROEDER,  
ADAMS & MEYERS

/s/ By EVERETT J. SCHROEDER

LYON & LYON

/s/ By LEWIS E. LYON,

Attorneys for Plaintiffs [37]

Acknowledgment of Service Attached. [38]

[Endorsed]: Filed May 3, 1955.



[Title of District Court and Cause.]

DEFENDANT'S FURTHER ANSWERS TO  
PLAINTIFFS' INTERROGATORIES

Defendant, by its Vice-President, Jaisohn Hyun, answers certain of plaintiffs' interrogatories as follows:

Interrogatory 1. "What is the name or title of, and the publication or issuance date of, or other identification means of, the 'certain printed publications and Letters Patent' referred to in Paragraph XXII of Defendant's Answer in the above entitled action?"

Answer: As at present advised, the following United States Letters Patent:

Nifong, No. 2,120,504.....issued June 14, 1938  
Johnson, No. 2,652,166.....issued Sept. 15, 1953  
Buttan, No. 1,672,839.....issued June 6, 1928  
Roehrl, No. 2,484,248.....issued Oct. 11, 1949  
Ewart, No. 2,590,241.....issued March 25, 1952  
Swartz, No. 2,502,635.....issued April 4, 1950  
Loskamp, No. 921,855.....issued May 18, 1909  
Nicholls, No. 1,939,719.....issued Dec. 19, 1933  
Glidden, No. 2,006,451.....issued July 2, 1935  
Blum, No. 2,087,227.....issued April 27, 1937  
Howard, No. 2,307,406.....issued Jan. 5, 1943  
Thomson, No. 2,326,414....issued Aug. 10, 1943  
Kellgren, No. 2,444,830.....issued July 6, 1948  
Bergstein, No. 2,587,685..issued March 4, 1952

Interrogatory 2: "What is the name and address of the person or persons who have knowledge or

possession of the 'certain printed publications and Letters Patent' referred to in Paragraph XXII of Defendant's Answer in the above entitled action?"

Answer: Defendant's Counsel.

Interrogatory 6: "What is the name or names and addresses of the person or persons referred to as 'others' in Paragraph XXIV of Defendant's Answer in the above entitled action?"

Answer: The patentees of the patents listed above in answer to Interrogatory 1.

Interrogatory 13: "Please identify specifically, all of the prior art referred to in Paragraph XXVII of Defendant's Answer in the above entitled action."

Answer: The patents referred to above in answer to Interrogatory 1 and the prior public knowledge and use referred to in answers to Interrogatories 4 and 34. [75]

Interrogatory 14: "Please identify specifically, any and all prior patents, publications, disclosures and other prior art, other than that identified in response to Interrogatory No. 13 above, upon which Defendant intends to rely in the defense of the above entitled action."

Answer: The prior use by plaintiff, identified in defendant's answer to Interrogatory 4; and the prior use by defendant, identified in its answer to Interrogatory 34.

Interrogatory 18: "Please identify specifically and with particularity the prior art as referred to in Paragraph XXIX of Defendant's Answer in the above entitled action."

Answer: The patents and prior uses identified in defendant's answers to Interrogatories 1, 4, 13, 14, and 34.

Interrogatory 19: "Please point out specifically and with particularity the manner in which the prior art discloses the combination of elements or steps in which the elements and steps operate in substantially the same way to produce substantially the same results, as that defined in United States Letters Patent Number 2,679,281, as averred in Paragraph XXIX of Defendant's Answer in the above entitled action."

Answer: Upon information and belief:

The Johnson patent No. 2,652,166 discloses a machine for, and method of, applying a sticky resilient tape to a can, in which the can is rotated on its own axis to apply the tape to [76] the can, the tape then being cut by a cutter disposed adjacent the can.

The Ruttan patent No. 1,672,839 discloses a method of securing two cans together in end-to-end relationship by a tape.

The Roehrl patent No. 2,484,248 discloses a method of securing two cylindrical objects together in end-to-end relationship by a tape.

The Ewart patent No. 2,590,241 discloses a machine for securing cylindrical objects together in end-to-end relationship, including a V-shaped trough for holding the objects during the operation.

The Swartz patent No. 2,502,635 discloses a method of securing together two loaves of bread in end-to-end relationship by means of a tape.

Interrogatory 23: "Please identify respectively,

and with particularity, any and all prior art which shows that each of the elements of the Claims of United States Letters Patent Number 2,679,281 is old and unpatentable as averred in Paragraph XXXI of Defendant's Answer in the above entitled action."

Answer: The patents and prior art identified in defendant's answers to Interrogatories 1, 4, 13, 14, and 34.

Interrogatory 24: "Please identify respectively, and with particularity, any and all prior art which shows that each of the steps of the Claims of United States Letters Patent Number 2,679,281 is old and unpatentable as averred in Paragraph XXXI of Defendant's Answer in the above entitled action."

Answer: The patents and prior art identified in defendant's answers to Interrogatories 1, 4, 13, 14, and 34.

Interrogatory 25: "Please describe with particularity the structure of the devices made and used by the Defendant as referred to in Paragraph XXXII of Defendant's Answer in the above entitled action."

Answer: The Dellenbarger machine currently used by defendant to tape together two or more cans of food is identified in answer to Interrogatory 39. This machine has a steel base plate, approximately 28" x 14½" standing on four legs on the floor. Rigidly mounted on the base plate and extending upwardly therefrom are two supporting members, between which are a pair of parallel rollers adapted to support two or more cans of food in

end-to-end alignment. Extending from each of the supporting members is a rotatable collar in axial alignment with the cans supported by the rollers, one of the collars being movable inwardly to hold the cans in end-to-end engagement. The tape applying mechanism is generally as shown and described in the United States Letters Patent No. 2,652,166 issued to A. E. Johnson, particularly as shown in Figs. 4, 5, and 6 thereof, being supported on the supporting members described above. Such tape applying mechanism has a corrugated roller to pull the tape from a pivoted dispensing roll of tape, and an applying roller to apply the tape over the joint made by the beads of the cans during rotation of the cans. It has a buffing roller adapted to press the tape down over the beads and onto the cans and to smooth it out thereon. Between the applying roller and the buffing roller is a knife which, upon upward retracting movement of the corrugated and applying rollers, [78] cuts the tape off to the desired length, following which the buffing roller applies and smoothes down the loose end of the tape. An automatic ejector then ejects the cans taped together into a hopper through which the combination package rolls to a packing station. In the operation of this machine, upon information and belief, no portion of the tape is stretched at any time before or during its application to the cans, and at no time is any portion of the tape pulled in a direction substantially tangential to the periphery of the cans. Such machine has no V-shaped trough for receiving the separate cans in end-to-end relationship,

and at no time does the knife or cutter either guide or support the tape.

Interrogatory 26: "Please describe with particularity the method or methods used by Defendant as referred to in Paragraph XXXII of Defendant's Answer in the above entitled action."

Answer: (a) Commencing on or about June 10, 1949, defendant secured together with sticky tape two or more cans of food for commercial sale by the following method: the cans were aligned in end-to-end relationship with adjacent end beads of said cans abutting each other; the end of a sticky tape was applied over portions of the abutting beads and side walls of the cans as as to stick to both cans and then the tape was wound around the cans over the joint between them so as to completely encircle the two cans at the joint while manually holding the tape under tension; then the tape was cut off and the loose end was pressed down to adhere to the tape encircling the cans or to the cans themselves.

(b) Since about May, 1954, defendant has secured together with sticky tape two or more cans of food for commercial sale by the Dellenbarger machine identified in answer to Interrogatory [79] 39. Upon information and belief, in using such machine, the operation of which is largely automatic: sticky tape is employed, but such tape is not resilient nor is it appreciably stretched during its application to the cans; after a loose end of the tape is applied to the cans by the machine, the portion of the tape not secured to the cans is not pulled in any way, the cans

merely being rotated to encircle the cans with the tape, and the tape is not in a stretched condition while being applied or otherwise.

Interrogatory 27: "In what specific respects does the prior art relative to United States Letters Patent Number 2,679,281 prevent the Claims of said patent from being given an interpretation, meaning, or scope to cover, include, or bring within the purview thereof, any devices made by or any method practiced directly or indirectly by the Defendant, as averred in Paragraph 32 of Defendant's Answer in the above entitled action."

Answer: Upon information and belief, if the claims of Letters Patent No. 2,679,281 are construed broadly enough to cover any of the devices or methods used by the defendant, such claims are invalid in view of the prior art.

Interrogatory 28: "Please identify with particularity, the art referred to in Paragraph XXXII of Defendant's Answer in the above entitled action."

Answer: The prior art identified in answers to Interrogatories 1, 4, 13, 14, and 34.

/s/ JAISOHN HYUN

Duly Verified. [81]

Acknowledgment of Service Attached. [82]

[Endorsed]: Filed Oct. 19, 1955.

[Title of District Court and Cause.]

## DEFENDANT'S REQUEST FOR ADMISSIONS

Pursuant to Rule 36 of the Rules of Civil Procedure, each of the plaintiffs in the above-entitled action is hereby requested to admit, within ten (10) days after service hereof, the truth of the following matters of fact:

### 1.

An action entitled Chun King Sales, Inc. and Jeno F. Paulucci v. Hung K. Tom and Ann Wong Tom, co-partners, doing business as Min Sun Trading Company and Min Sun Trading Co., a corporation, No. 55 C 678, on August 4, 1955, was pending in the United States District Court, Northern District of Illinois, Eastern Division, involving issues of the validity of United States Letters Patent No. 2,679,281.

### 2.

The plaintiff Jeno F. Paulucci in said action No. 55 C 678 is the same person as Jeno F. Paulucci plaintiff in this action. [83]

### 3.

On August 4, 1955, said Jeno F. Paulucci appeared as a witness in said action No. 55 C 678 and testified under oath by deposition, and the following are true and correct portions of the transcript of said deposition:



Civil Action No. 55 C 678

HUNG K. TOM and ANN WONG TOM, co-partners, doing business as MIN SUN TRADING COMPANY and MIN SUN TRADING CO.,  
a corporation, Defendants.

Present: Mr. Everett J. Schroeder, appeared on behalf of the Plaintiffs; Mr. John W. Hofeldt, and Mr. William J. Marshall, Jr., appeared on behalf of the defendants. [84]

I hand the notary public the original of the

notice for the taking of the deposition to be attached to the original of the deposition.

JENO F. PAULUCCI

having been first duly sworn, despoeth and saith as follows:

Direct Examination

Q. (By Mr. Hofeldt): Will you state your full name, please?

A. Jen, J-e-n-o, F. Paulucci, "P" as in Peter, a-u-l-u-c-c-i.

Q. Where do you live, Mr. Paulucci?

A. Duluth, Minnesota.

Q. Will you give your complete address?

A. 6 Minneapolis Avenue.

Q. What is your business, Mr. Paulucci?

A. Food processor.

Q. Are you the plaintiff in this action?

A. I am.

Q. What is your relationship to Chun King Sales, Inc.?

A. I own it.

Q. Are you an officer of that corporation?

A. Yes.

Q. How long has that corporation been in existence?

A. Since May of 1947.

Q. Chun King Sales, Inc., that corporation is the other plaintiff in this action, is it not?

A. Yes. [85] \* \* \* \* \*

Q. (By Mr. Hofeldt): When did you first start canning and selling an oriental-type dish in which any part was separate from any other part thereof in two or more separate cans?

(Deposition of Jen0 F. Paulucci.)

A. Back in 1947.

Q. Were those cans joined together in any way for sale?

A. Would you explain what you mean by the word "joined"?

Q. What do you understand by the word "joined"?

A. It could be many ways: two cans in a package.

Q. I mean any way; joined in any way.

A. I said 1947.

Q. How were they joined?

A. In a package, in a box, one can alongside of the other.

Q. It had a wrapper of some kind or a cardboard box around the two cans, is that it?

A. They were put into a carton, that is right.

Q. Did you join them in any other way subsequent to 1947?

A. You mean after 1947?

Q. That is right.

A. Yes.

Q. In what way?

A. By putting one can on top of the other and putting tape around it.

Q. Did you ever solder the cans in an end-to-end relationship?

A. No, sir.

Q. Never have done that?

A. No, sir; not end-to-end, no, sir.

Q. You mention taping the cans together. How was that accomplished?

A. By putting the tape around the beads of the cans. [86]

(Deposition of Jen0 F. Paulucci.)

Q. What kind of tape?

A. I guess you refer to it as cello-tape.

Q. Is that a trade name or something?

A. I believe that is a trade name, yes.

Q. What kind of tape is that tape?

A. It is a sticky tape.

Q. What type of backing does it have?

A. Cellophane.

Q. Cellophane?

A. I'm not qualified to say, but I take it that it is.

Q. Are you using the same type of tape now?

A. Same type, yes.

Mr. Schroeder: As when?

Q. (By Mr. Hofeldt): As 1947?

A. Yes. No, I never told you we used tape in 1947.

Q. I am sorry. What year did you first use the tape to tape together two cans in an end-to-end relationship? A. 1949.

Q. Is the tape that you are presently using the same tape that you were using at that time?

A. No.

Q. What type of tape are you using now?

A. Approximately the same type of tape.

Q. How does that differ, the one now, from the one in 1949?

A. You asked me before if we use the same type. We couldn't use the same tape.

Q. I realize that. We can exclude that.

A. Yes.

(Deposition of Jeno F. Paulucci.)

Q. But it is the same type of tape?

A. Approximately, yes. Different suppliers, so I don't know their system of manufacture. [87]

Mr. Schroeder: Isn't it a difference in quality, too?

The Witness: Yes, there is a difference in quality. We are all talking about that.

Q. (By Mr. Hofeldt): Where did you first—

A. By "type," I meant the cello backing.

He asked about with the sticky surface.

I mentioned before that I don't know whether it has cello backing. I take it it has cello backing because it is called that. How it is made, whether what we are using today is the same type or not, I don't know. We call it in our own terminology the same thing, but that is as far as it goes.

Q. Was it a transparent tape that you bought in 1949?

A. I couldn't say it was transparent, either.

Q. You don't remember whether it was transparent or not?

A. Transparent, you can see through, can you not?

Q. Yes.

A. I doubt whether this—whether you could see through this clearly.

Q. But you could see through it?

A. Are you asking me or telling me?

Q. I am asking you. A. I don't know.

Mr. Schroeder: He wants to find out, that is all.

(Deposition of Jen0 F. Paulucci.)

The Witness: I am not going to be confused into being told.

Q. (By Mr. Hofeldt): In 1949 from whom were you buying your tape?

A. At that time I believe most of it was being bought from Minnesota Mining and Manufacturing Company. [88]

\* \* \* \* \*

Q. If you know, what did Minnesota Mining call this tape it was supplying to you in 1949?

A. I don't know. All I know we have always referred to it as cello-tape, no matter whom we bought it from. No matter what year it was, whether it was today or 1949.

Q. Was this tape you purchased in 1949 stretchy at all, do you recall? A. I don't recall.

\* \* \* \* \*

Q. (By Mr. Hofeldt): In 1949, in the application of this tape to the cans for the purpose of securing them in an end-to-end relationship, did you or your organization have to add to the adhesive on the tape anything to make it adhere to the surface of the cans?

A. I don't just choose to answer that question in that manner, because it has taken certain assumptions there.

My answer would have to be no. I cannot answer it in the light you have presented it.

Q. In what respects isn't it clear?

A. You have taken certain assumptions.

Q. Will you name those, please?

(Deposition of Jen0 F. Paulucci.)

A. That they would adhere.

Q. That is exactly the question that I am asking you. Did they adhere?

Mr. Schroeder: What he wants to know is when they secure cans together, did they add something to the tape first?

The Witness: If he asked me that way.

Q. (By Mr. Hofeldt): Will you answer the question of your counsel then?

A. When we used the tape in 1949 we did not add anything. [89]

Q. Who first had the idea of joining cans in an end-to-end relationship by the use of tape?

A. I did.

Q. When about did you get that idea?

A. Around April, I believe, 1949.

Q. Did you join any cans together in an end-to-end relationship by using tape in 1949? You personally, now.

A. Yes.

Q. What means did you use, or how did you accomplish this?

A. I took a piece of tape and rolled two cans in an end-to-end relationship into the tape.

Q. Did you lay the tape flat on a surface, is that it?

A. Sometimes.

Q. How did you do it other times?

A. By having the tape suspended from the dispenser.

Q. Did you rotate the cans together into this tape?

A. I rolled them into the tape.

(Deposition of Jeno F. Paulucci.)

Mr. Schroeder: By that do you mean you rolled them along the surface of the table?

The Witness: I just rolled them into the tape.

Mr. Schroeder: Did the cans move or set in one place?

The Witness: The cans moved. He said rotated. Rotated means in one position. Rolled means roll right in.

Mr. Schroeder: They moved across the surface of the table?

The Witness: They rolled across the surface of the table to the tape.

Q. (By Mr. Hofeldt): When you were using the tape on the dispenser, how then did you roll these cans into the tape? [90]

A. By having the tape pulled out from the dispenser, taking the cans, and rolling them either on a flat table surface or just rolling them up into the tape, up to the end of the cutting bar or the dispenser, and then cutting the tape.

Q. Did you cut this tape before you rolled from the dispenser before you rolled the cans into this length of tape? A. Sometimes.

Q. How did you do it other times?

A. Just mentioned it. By rolling the cans up to the dispenser and then cutting the tape.

Q. What I am trying to get at is, did you have a length of tape away from the dispenser or the cutting bar of the dispenser before you rolled the cans into this tape? A. Yes, sir.

Q. Did you ever try to roll the cans and have the



(Deposition of Jen0 F. Paulucci.)

rotation of the cans pull the tape off of the roll on the dispenser?     A. We did after August of 1951.

Q. You never tried that before?     A. No, sir.

Mr. Schroeder: You mean commercially?

The Witness: Yes.

You are talking about as President of Chun King Sales and owner of Chun King Sales, are you not?

Q. (By Mr. Hofeldt): Well, let us take it that way, first.     All right.

Q. When you were rolling these cans, did you hold on to the end that you had just cut off of the dispenser, the end of the tape?     A. No.

Q. You never held on? [91]

A. I would not say never. You are asking me as customary procedure?

Q. That is right.     A. The answer is no.

Q. You never did that?

A. You are asking me whether it is customary. "Never" would mean once or twice or a few times. You are asking me as a customary practice.

Q. As a customary practice.     A. No.

Q. You did not hold on to the other end. Now, as other than a customary practice, did you ever hold on to the tape?

A. In experiments, yes.

Mr. Schroeder: Which end are you talking about?

Mr. Hofeldt: The end you cut from the dispenser roll. There are two ends.

Mr. Schroeder: The free end he attaches to the

(Deposition of Jeno F. Paulucci.)

can. You are talking about the other end after he pulled it out.

The Witness: I was talking about the first end.

Mr. Schroeder: The end you tape it on?

The Witness: Yes.

Mr. Schroeder: You are talking about two different things.

Mr. Hofeldt: Let us clarify this a bit.

Q. (By Mr. Hofeldt): You have a free end. Am I correct in assuming you pull the length of tape off of the roll? A. No. [92]

Mr. Schroeder: He means are you pulling it out?

The Witness: When you read these things they are darn technical. He phrases his questions very completely and I have got to answer them in that manner.

Q. (By Mr. Hofeldt): Did you unwind from the roll of the tape a length of tape? A. Yes.

Q. Then what did you do?

A. Tapped, pressed the loose end onto the bead of the two cans, and then rolled the cans forward up to the dispenser, and then cut the other end and tapped that on top of the other tape.

Q. In the rolling of the cans in the manner you have specified, was the tape held taut against the dispenser in the rolling operation? A. No.

Q. You have never done that, or you did not do that at that time? A. That is correct.

Mr. Schroeder: At what time?

Mr. Hofeldt: 1949.

Q. (By Mr. Hofeldt): Did your organization

(Deposition of Jen0 F. Paulucci.)

sell any cans of oriental food so taped together in the manner you just specified in 1949?      A. Yes.

Q. Did you sell all that you had joined in that way?      A. Not all.

Q. Did you sell the majority that you had taped together in that way?      A. I would say so.

Q. About how many sales did you make? [93]

A. I do not know.

Q. Would the records of your company show?

A. We did not keep an analysis of product sales.

\* \* \* \* \*

Q. How long did you continue to merchandise your products where the cans were joined together in an end-to-end relationship by the application of tape as you have indicated?

A. Right up to the present time we are merchandising two cans in an end-to-end relationship.

Q. You are still employing the means that you specified of rolling the cans into a piece of tape?

A. Positively not.

Q. How long did you continue to merchandise a product so joined?

A. So joined? Would you tell me?

Q. In that manner.      A. Which manner?

Q. In the manner you were selling them starting in 1949; the manner you were joining them starting in 1949.

A. The same manner as we were doing in 1949 we did until approximately August of 1951.

Q. August of 1951. Did you use any machinery

(Deposition of Jeno F. Paulucci.)

in this operation? I am using the term "machinery" very broadly.

A. Explain to me how you mean "broadly"?

Mr. Schroeder: You are in 1949?

Mr. Hofeldt: 1949.

The Witness: Will you explain——

Q. (By Mr. Hofeldt): Any kind of mechanical appliance for applying tape. A. No.

Q. You were using none? A. No, sir. [94]

Q. Other than the dispenser now?

A. That is right.

Mr. Schroeder: You were using a table?

The Witness: He said mechanical. By "mechanical" you mean something with a motor, correct?

Mr. Hofeldt: Not necessarily.

Mr. Schroeder: Tell him what you were using.

Q. (By Mr. Hofeldt): What type of device or devices were you using in the employment of this means or method in 1949?

A. You mean in 1941 up to——

Q. 1951.

Mr. Schroeder: You did not mean 1941, did you?

Q. (By Mr. Hofeldt): 1949.

A. The tape dispenser with an angle iron holding it that we put the cans in to start the tape.

Q. What was the configuration of this angle iron that you are talking about?

A. I am sorry, you will have to explain what you mean by that word "configuration" or whatever it is.

(Deposition of Jeno F. Paulucci.)

Q. What shape did the angle iron have?

A. An angle iron is, what is it, a 90 degree angle or something?

Mr. Schroeder: I think it is.

Mr. Marshall: I always thought——

Mr. Hofeldt: It could be up to 360 when you get a flat one.

Q. (By Mr. Hofeldt): Was this a 90 degree angle iron? A. I wouldn't swear it was. [95]

Q. Was it V-shaped?

A. I couldn't tell you. All I know it was an angle iron.

Q. It was used to hold the cans?

A. To rest the cans in.

Mr. Schroeder: Is that throughout the operation?

The Witness: No, we used many different other things.

Mr. Schroeder: I mean throughout your operation in 1949. You said it was used to hold the cans.

The Witness: I said to rest the cans in so we could take a loose end of the tape and touch it on the beads of the two cans and then take the cans in our hands and roll them up to the dispenser.

Q. (By Mr. Hofeldt): Now, this free end of the tape, where was it applied in relation to the can or the two cans to be joined?

A. On the two beads.

Q. On the top or bottom of the can as they rested?

Mr. Marshall: On the angle iron.

(Deposition of Jen0 F. Paulucci.)

A. (By the Witness): You are simmering it down to two points, top or bottom. All I can say it was not bottom, because it was resting on the angle iron.

Q. (By Mr. Hofeldt): In what direction were you rolling the cans?

A. It would be exactly——

He is asking me on the top or the bottom. It could be on the sides. [96]

Q. As the cans were resting on the angle iron, was the free end of the tape applied to the top periphery of the cans?

A. Sometimes, and sometimes to the bottom, depending on actually the operator.

Q. In what direction did you roll the cans?

A. Forward to the dispenser.

Q. Was the sticky side of the tape up or down?

A. The sticky side of the tape was down against the cans.

Q. And the remaining portion of the tape to the dispenser, was that up or down, the sticky side now?

A. The sticky side was always down, facing the table. It could not be up because your tape in the roll has adhesion. That is what makes it roll.

Mr. Schroeder: I am confused now.

Mr. Hofeldt: I am a little confused on this. I think we better have a demonstration of just how this was done.

Mr. Schroeder: It may be a good idea.

Q. (By Mr. Hofeldt): We have before you, Mr. Paulucci, an ordinary piece of plywood which would

(Deposition of Jeno F. Paulucci.)

measure approximately 30 by 24, 30 inches in length and 24 inches in width. We have on there what could roughly be described as a V-shaped trough. We have a dispenser on here that has the trade-mark "Scotch Brand Cellulose Tape" on it, and in the dispenser on a core is a roll of cellophane tape.

Is that like the tape you were using at that time?

Mr. Hofeldt: Let the record show the witness is examining the portion of the tape.

A. (By the Witness): No.

Q. (By Mr. Hofeldt): How did it differ? [97]

A. We used a color tape.

Q. What color? A. Red, green.

Q. Are there any other characteristics, Mr. Paulucci, about this tape that is not the same as the tape you were using then, other than color?

A. You are speaking then in 1949?

Q. In this roll and the type of tape you were using in 1949?

A. I would say that that is—I can't actually tell you for the simple reason the Minnesota Mining had quite a bit of trouble with tape where it would break on us. I don't know whether they made any changes in their tape.

Q. In 1949 it would break? A. Yes.

Q. Due to what reason?

A. It would break on the roll here (indicating). If it was too humid or too hot, it would break off the roll. Our girls would have to dig down with

(Deposition of Jeno F. Paulucci.)

their thumbnail to loosen the tape from the master roll again.

Q. Disregarding that possible difference——

A. It was not a possible difference. It was a difference.

Q. We don't know if this tape would do the same thing or not. I ask you to disregard that difference.

Was there any other difference that you know of?

A. The tape we were using as I mentioned before was colored.

Q. Any other difference?

A. I can't tell. I really can't tell what we were using then and what you are showing me here now. I would not ever say that I am judge enough to say it is the same tape or not the same tape.

Q. You were pulling this tape. For what purpose?

A. We were pulling them in order to get it off of the master roll. [98]

Mr. Schroeder: I did it because I was under the impression that they were using a tape quite similar to what they are using now. I know what they are using now are slightly stretchy—a slightly stretchy tape. Maybe "Scotch" tape is, too.

The Witness: Our biggest problem in 1949 was it would break on the master roll.

Q. (By Mr. Hofeldt): Was that stretchy tape you were using in 1949?

A. No, it was their conventional tape.

Q. It was not stretchy at all?



(Deposition of Jen0 F. Paulucci.)

A. I can't say whether it was or not. We did not try to stretch it, so I wouldn't know.

Q. Do you happen to know whether the tape supplied to you by Minnesota Mining was No. 600 tape?

A. I would not know.

Q. You would not know that?

A. I would not know positively, no.

Q. Would your records indicate?

A. Those invoices that you are going to get per your suggestion might indicate it, I don't know.

Q. Is this the type of dispenser you were using in 1949?

A. By "dispenser," what do you mean?

Q. The standard in which the tape is now on a core.

A. I would say it was similar to that, yes.

Q. Was it bigger or smaller?

A. I couldn't tell you; that is quite a few years ago.

Q. It is approximately?

A. To my memory it looks approximately the same.

Mr. Hofeldt: I will ask the reporter to mark a roll of red sticky tape on a core, [99] bearing among other things the terms "Scotch Brand Pressure Sensitive Tape" and the No. 2CRB 12F 5 C 3B5, as Paulucci deposition Exhibit No. 1.

I ask the dispenser to be marked as Paulucci deposition Exhibit No. 2.

I want to have the board with the V-shaped trough marked for identification as Paulucci deposi-

(Deposition of Jenö F. Paulucci.)

tion Exhibit No. 3. It measures  $27\frac{1}{2}$  by  $19\frac{3}{4}$  inches.

The two cans we will mark Paulucci deposition Exhibits 4-A and 4-B.

(Articles so marked.)

Q. (By Mr. Hofeldt): You are pulling a length of tape from the roll——

A. No. 1, I want to say that this is difficult for me to do simply because we had no big, what did you call this, V-type trough as you have on here, so I will do the best I can with what you have here.

Mr. Schroeder: First of all, here the position——

The Witness: Position, there again that is relative again.

Mr. Schroeder: The diameter of the can I want the record to show as to where this has to be.

Mr. Marshall: You mean the dispenser?

Mr. Schroeder: I want to know the length of the tape. I want the record to show how far this is from the trough. [100]

Mr. Marshall: Let us refer to it as Exhibit 2.

Mr. Schroeder: Is that the length you need?

The Witness: I don't know, because with this here it is difficult for me to tell.

Mr. Schroeder: Is that proper, or do you think you need more length.

The Witness: What I am going by is how it will be for me to do this now based on this deal they have.

Mr. Schroeder: Are you in the proper position to do it?

(Deposition of Jen0 F. Paulucci.)

The Witness: It has to be parallel to the cans.

Mr. Schroeder: I mean with regard to the distance away from the cans

The Witness: I can't tell because of the V they have here (indicating).

Mr. Marshall: From the center of the cans where you have them in this trough to the cutting edge is roughly 14 inches.

Q. (By Mr. Hofeldt): You are pulling a length of tape from the roll, Paulucci Exhibit No. 1.

A. You see, we have also guides along here (indicating).

Q. Along on each side of the outer edge of each can.

A. You see, I used too much tape there. That is just how it was done.

I can't say that is just how it was done. I am giving you an idea how it is done. [101]

No. 1, we don't have the guides we had at that time. The cans were rolled in. Here you have given me something without guides. You have given me something that is——

Mr. Marshall: Mr. Paulucci, you are rolling counterclockwise away from you, aren't you?

The Witness: That is right.

Mr. Schroeder: It depends on which end you are looking.

Mr. Marshall: He is rolling the can away from the dispenser, but he is moving it toward the dispenser. He is rotating it away from—the top por-

(Deposition of Jenö F. Paulucci.)

tion of it is rotated away from the dispenser while both cans progress towards the dispenser.

The Witness: We had some girls that did this.

Q. (By Mr. Hofeldt): Like "this" you mean that they took a piece of tape from the dispenser, held two cans together, in end-to-end relationship, put one down and held the other end of the tape and just rotated the tape to the bead of the cans?

Mr. Schroeder: Rolled the cans into the tape, the tape being completely separated from the dispenser.

Q. (By Mr. Hofeldt): I notice on this can where the bead joins together that the tape is on what do you call that? A. Bead.

Q. On the beads? A. That is right. [102]

Q. Did you do anything about affixing the outer edges of the tape to the cans themselves or to the labels?

Mr. Marshall: The walls of the can.

A. (By the Witness): No more than this as you see here, except sometimes if it was really stuck out a girl would maybe rub her finger on it, because it was sticking out.

Mr. Schroeder: Press down?

The Witness: She would go like this if it was kind of wrinkly, and then they would come apart easy.

Q. (By Mr. Hofeldt): With the application of some force?

A. Because I did it, I think, slowly and method-

(Deposition of Jeno F. Paulucci.)

ically here. We had our girls doing it and they did it in a hurry. We had these coming apart.

Q. Did you press down edges of the tape on to the walls of the cans adjacent to the beads as a regular procedure? A. No, sir.

Q. That did not occur to you at that time?

A. No, sir.

Q. You sold products in cans with the cans so joined as you have just demonstrated, did you?

Q. When?

Q. In 1949? A. Yes.

\* \* \* \* \*

Mr. Schroeder: May I ask a question?

Is this method that you just demonstrated the taping, the one you were referring to previously when you said many of them came apart and you sold what was good. I think you testified to that before. [103]

The Witness: I said we sold the majority of them, yes.

Q. (By Mr. Hofeldt): What did you do with the ones you did not sell? A. Retape them.

Q. You would retape them. So, all of them were eventually sold, were they not? A. Not all.

Mr. Schroeder: He means all the cans.

The Witness: My answer is not all.

Q. (By Mr. Hofeldt): How did you retape them? In the same manner?

A. In the same manner.

Q. They were successful the second time?

A. Let us say we sold them the second time.

(Deposition of Jen0 F. Paulucci.)

Q. They were sold?

A. There were certain cans, of course, that got dented, and things like that.

Q. When did they come apart?

A. At all different intervals from the time they were first taped up until the time they got to grocers' shelves, and I would say possibly up to the time of the homemaker's home.

Q. What did the grocer do with the cans that came apart, if you know?

A. Well, he wouldn't do much. It would be usually our broker or our salesman in seeing any of it on the shelves would retape them together just by taking some tape and attaching it together so they would stay.

Q. Did they attach that tape to the beads of the can?

A. Well, I wouldn't know. They would attach them so they would stay. It might have just been patched up where the tape broke or tore or the cans came loose. [104]

Q. Was the tape in its long direction around the periphery of the can when this was done?

A. I couldn't say that. That would be up to the salesman himself. He was trying to keep them so they would be saleable.

Q. What width of tape were you using at that time in 1949?

A. I believe it was around a half inch. I am not positive, but I believe it was around a half inch.

Q. Did you ever use any larger than that that

(Deposition of Jen0 F. Paulucci.)

you recall?           A. We could have.

Q. That is to say, these invoices you are going to produce of your tape purchases in the years 1949 through 1953, will show that?

A. I am sure it will show that, yes.

Q. Did you use tape for any other purpose in your organization other than taping ends together?

A. Well, I imagine we did, but it would be in a minor degree.

Q. How minor?           A. Well, quite minor.

Q. The vast majority of the tape would be for taping the cans together?

A. Oh, yes, certainly.

Q. Do you know at that time whether that tape was stretchy that you were using in 1949?

A. I don't know. We had no occasion really to want to know or to find out, so I couldn't know.

Q. Through 1949, from about April, I believe you said, through August of 1951, you used this method that you have previously described to us and demonstrated to us in all your operations?

A. Would you explain what you mean by "all operations"?

Q. Of joining two cans together and selling them.           A. Basically, yes.

Q. You say basically. There were some differences then? [105]

A. A lot of times according to the girls themselves, some of them had different ways they did themselves they would like to do.

\* \* \* \* \*

(Deposition of Jenö F. Paulucci.)

Q. (By Mr. Hofeldt): Incidentally, in your plant when the girls were taping these cans as you have previously described them and demonstrated, was the plant open to anybody who came in?

A. Practically, yes.

Q. Anybody could have walked in there and seen what was going on?

A. No, I wouldn't say anyone, no.

Q. But, there was no restriction of secrecy or privacy or anything like that? There was no custom to keep anybody out?

A. That is correct, except we did not want competitors coming in, but your representatives like Minnesota Mining and Manufacturing people were invited to come in at any time.

Q. What representatives of Minnesota Mining were coming in at that time in 1949?

A. I believe you had Mr. Eugene or Gene Hammond at that time; later on I believe a Mr. Cronnin.

Q. They witnessed these operations?

A. Well, I am quite sure they did.

Q. Was their attention called to what you were using this tape for?      A. Positively.

Q. Did they make any suggestions as to means of fastening this tape to the cans?

A. Any suggestions—the only suggestions I believe they did make that I remember is using a half inch rather than wider tape. I believe we were using approximately five-eighths of an inch when we started, and I believe they suggested possibly using a half inch. [106]



(Deposition of Jeno F. Paulucci.)

Q. Do you recall why? What reason they had for your using a half instead of five-eighths?

A. Economy; it was cheaper.

Q. Simply economy?

A. I would say so, yes.

\* \* \* \* \*

Q. (By Mr. Hofeldt): Did you subsequent to 1949 change your method of taping these together in an end-to-end relationship?

A. No. I answered that before. Up to August, 1951.

Q. In August, 1951 there was a change made?

A. Approximately August, 1951, yes, sir.

Q. What was that change?

A. That is when we started to apply tension to the tape to make it go around the contours of the bead and then on to the wall of the can or label.

Q. Why was that desirable?

A. In order to keep these cans fastened securely in an end-to-end position so they would not come apart without cutting the tape or pulling the tape off.

Q. Did you order a different type of tape from Minnesota Mining or from anybody else at that time?

A. Minnesota Mining from time to time had trouble with their own tape. As I told you, it was breaking on the tape roll itself, so we went to another supplier because their type of tape was not suitable to us. We wrote to them accordingly. They did everything they could to keep the business.

(Deposition of Jeno F. Paulucci.)

Mr. Schroeder: You say "their kind of tape,"—to whom do you refer?

The Witness: Minnesota Mining.

Q. (By Mr. Hofeldt): Did you thereupon cease to buy tape from Minnesota Mining? [107]

A. No, sir.

Q. You still bought tape?

A. Yes, sir, but they were trying to perfect it. They also suggested different ways of keeping the tape in a humid room and so forth. We did that in order to co-operate with them so we might continue to buy tape from them.

Q. Did you buy substantial quantity of tape from Minnesota Mining after August of 1951?

A. Not directly from them. They had jobbers in Duluth.

Q. Or from their jobbers?

A. That is correct.

\* \* \* \* \*

Q. (By Mr. Hofeldt): The change, as I understand it then, was to apply tension so that the edges of the tape would adhere to the walls of each can, is that correct?      A. Not completely.

Q. What other changes were—

A. So that it went around the contours of the beads themselves in such a manner that it completely or practically welded them together, so that the edges then of the tape would touch the walls of the can, or the label.

\* \* \* \* \*

Q. (By Mr. Hofeldt): In August, 1951, did

(Deposition of Jen0 F. Paulucci.)

you change your method of taping cans together in an end-to-end relationship?

A. Yes.

Q. How did you change it from what previously had been done?

A. As I told you before by applying tension to the tape so that it would go around the contours of the beads of the cans to practically weld them together with some of the parts of the sides [108] of the tape touching either the side walls and/or the labels and the cans.

Q. How much tension did you apply?

A. Sufficient to cover the contours of the beads so that the two cans or two beads were practically welded together so that they went around the contour of the bead of the cans to practically weld them together with some of the parts of the sides of the tape touching either the side walls and/or the labels or the cans, and did not break the tape.

Q. So in a measure at least it would depend upon the type of tape you were using?

A. Not especially.

Mr. Schroeder: It would have to be limited by the strength of the tape?

The Witness: That is right.

Q. (By Mr. Hofeldt): It would depend upon the type of tape you were using, would it not?

A. Yes, we had to use the right type of tape for it.

Q. What was that type?

A. The type of tape that would give us enough

(Deposition of Jen0 F. Paulucci.)

tension to go around the contours of the beads in the manner I have described heretofore.

Q. You don't know in pounds how much tension that would have to be? A. No, sir.

Q. When did you get your idea for the change?

A. Around July of 1951, June or July.

Q. Whom did you tell this idea to?

A. Well, our plant superintendent, Jim Bingham.

Q. Anyone else?

A. I don't remember. [109]

Q. Prior to this time that you got this idea, did you ever have instances where the tape did not conform to the beads of the can in the manner you have specified?

A. Not to my knowledge.

Q. You had never seen that happen?

A. I don't remember.

Q. Did you change at that time the type of tape you were using? A. I don't remember that.

Q. How, in August, 1951, did you apply tension to the tape?

A. By taking the tape and applying it to the beads of the can, holding the cans in the trough, rotating the cans within the trough, tightly, so that the tape went around the contours of the beads as heretofore described, and then the tape was cut from the dispenser and held tight, and rotated the balance of the can, and overlapped a little bit the other end of the tape.

Q. As it came around the can?

(Deposition of Jen0 F. Paulucci.)

A. Yes, sir.

Q. How did you stretch your tape or hold it? By what manner?

A. The dispenser on the one hand was fixed so that it was not movable that held the tape on the one hand.

The loose end of the tape, as I mentioned, was applied to the beads of the can. Then the cans were rotated and the tape then cut from the dispenser and then that was held tightly so that that was under tension and went around the beads of the can.

Q. How was it held tightly?

A. With the right hand or left hand.

Q. By the operator?

A. After it was cut.

Q. In other words, the human operator held that tape tight?

A. It was just at the last part, the part that was cut from there in order to finish the taping operation. [110]

Mr. Schroeder: What provided the tension in the intermediate part?

The Witness: The rolling means. This roll of tape also moved. In other words, this was closer like this (indicating).

Q. (By Mr. Hofeldt): Now you are using Paulucci deposition Exhibits No. 1 to 4, are you not?

A. Yes, except this machine here is not affixed properly.

Q. Shall I hold it?

(Deposition of Jeno F. Paulucci.)

A. Go ahead and hold it. It is not fixed properly here, so I did not get the right measure of tape.

The last step was where we would take the, keep stretching it, but that was against this, don't forget. It is impossible for me to show you here.

You see the way it has gone over the contours of the beads and the side wall of the cans?

Well, these have no labels now.

Q. Yes.

A. This, of course, is a poor trough, so it is impossible for me to show you, but at least you can get an idea.

Q. It is a V-shaped trough though?

A. Well, there would be a lot of V-shaped troughs, but this is not according to ours.

Q. It took a particular V-shaped trough to do this now?

A. I am not used to this, so it is difficult for me to do it properly with this.

Q. You would have to do it properly with a particular V-shaped trough, is that right?

A. The method of putting it on is not limited solely to the exact dimensions of the trough. The trough and the dispenser are means to an end to the method, but actually you can take the two [111] cans with tension and hold the two cans in your hand and apply them with tension and have the same results as my patent.

Does that answer your question?

\* \* \* \* \*

Q. Now, in this method that you used after

(Deposition of Jen0 F. Paulucci.)

August, 1951, you held the cans in the trough, did you not?

A. Rotated them in the trough.

Q. But they were not moving relatively to the dispenser, were they?

A. I don't follow your "relatively" word.

Q. Excluding the rotation, physically the cans did not move toward or away from the dispenser?

A. Not according to the general practice.

Q. Are you the Jen0 F. Paulucci who is the patentee of the patent in suit?      A. I am.

Q. Did you authorize the filing of the complaint in this action?      A. I did.

Q. This V-shaped trough you used after August, 1951, were there any changes from it with respect to the V-shaped trough that had been used previously?

A. I said we had used an angle iron previously.

Q. Was that a V-shaped angle iron?

A. Yes, depending on how you put it on.

Q. How was it put up on your operations prior to August, 1951?

A. As I remember it, so that the bottom of the angle——

Q. The corner?

A. The corner of the angle rested on the table.

Q. It was secured as V with respect to the table?

A. Yes, that is the way it would end up, yes.

Q. Now, did you build an apparatus to perform

(Deposition of Jen0 F. Paulucci.)

this method that you were using after August, 1951? [112]

A. I had it built for me, yes.

Q. Who built it for you?

A. I believe Jim Bingham did, or somebody built it for him.

Q. Did you have any drawings?

A. No, sir.

Q. Had you right up to August, 1951, from sometime in 1949, been selling products in cans where the cans were taped together in an end-to-end relationship?      A. Yes.

Q. There was no interruption then, was there, in this particular type of packaging going to the public?

A. Well, I can't answer your question in that manner, because they weren't all the same items after August, 1951.

Q. Forgetting about the items, just any food product in cans, in which the cans were taped end-to-end, had there been any interruption from 1949, April I believe you testified, to August, 1951?

A. On certain specific products there was no interruption.

\* \* \* \* \*

Q. Do you know what a resilient tape is?

A. Resilient tape is one that has a little stretch to it, is it not?

Q. I am asking you. You are on the stand now.

Mr. Schroeder: Tell what your understanding is of it.



(Deposition of Jen0 F. Paulucci.)

The Witness: My understanding: resilient has a little stretch to it.

Q. (By Mr. Hofeldt): How about slightly resilient? What would that mean to you?

A. With maybe a little less stretch.

\* \* \* \* \*

Q. In purchasing your tape from any source, have you ever specified the amount of resiliency that was necessary in that tape for your purposes?

A. Positively not.

Q. You never have?

A. Not specified it per se itself.

Q. What do you mean by "per se"?

A. Well, any pounds as you tried to bring out a little while ago.

Mr. Schroeder: He means he tried the tape.

Q. (By Mr. Hofeldt): It has been a matter of trial and error, is that it?

A. From that we knew the type of tape we wanted and we bought that particular type of tape.

Q. Since August, 1951, have you ever had a tape that did not work?

A. At times, yes, sir.

Q. What type of tape was it that did not work?

A. It was not so much the type of tape but rather the storage conditions under which the tape was kept.

Q. So, excluding storage conditions and the effect of humidity, you never had a type of tape that did not work?

A. I cannot say that.

(Deposition of Jeno F. Paulucci.)

Q. You don't know?

A. I cannot remember.

\* \* \* \* \*

Q. Both of these operations, those from 1949 to August, 1951, and the operations subsequent to 1951, are essentially hand operations, are they?

A. To date, yes, sir.

You are referring to our operations? I presume you are referring to our operations. [114]

\* \* \* \* \*

4.

The questions and answers set forth in Request 3, above, were, respectively, so put to said Jeno F. Paulucci and so answered by him under oath at said deposition on August 4, 1955.

Dated: November 9, 1955.

HARRIS, KIECH, FOSTER &  
HARRIS,  
FORD HARRIS, JR.,  
WALTON EUGENE TINSLEY,

/s/ By FORD HARRIS, JR.,  
Attorneys for Defendant. [115]

Acknowledgment of Service Attached. [116]

[Endorsed]: Filed November 10, 1955.

[Title of District Court and Cause.]

## OPINION

Yankwich, Chief Judge:

The plaintiff by this action seeks injunction and damages for patent infringement and unfair competition. [28 U.S.C.A., § 1338(a) and (b)] The patent involved is No. 2,679,281, issued on May 25, 1954, to Jenő Francis Paulucci. The defendant denies infringement, challenges the validity of the patent, and, in an counterclaim, asks for a declaration of invalidity. While the original pleadings as to the cause of action for infringement related to all three claims of the patent in suit, the plaintiff, at the trial, restricted itself to a charge of infringement of Claim 1 only.

### I.

#### Validity and Infringement

The object of the patent in suit is to join cans so that canned foods might be sold together and is on "a method and means for securing cans together in end-to-end relationship." Claim 1 describes it:

"1. The method of securing two cans together said cans having beaded ends protruding beyond their side walls, comprising (1) aligning said cans in end-to-end relationship with adjacent end beads of said cans abutting each other, (2) stretching a portion of a slightly resilient sticky tape and applying said portion of said tape over portions of the abutting beads and adjacent side walls of said [118] cans while said tape is in a stretched condition to

secure said cans together; (3) pulling on the portion of said tape not secured to said can in a direction substantially tangential to the periphery of the cans to place same in a stretched condition to cause said tape to be applied and adhere to the remainder of the periphery of said beads and adjacent side walls of said cans."

[For convenience of reference, we have numbered the four elements of the claim.]<sup>1</sup>

While the scope of the claim is narrow, it represents invention over the prior art. [35 U.S.C.A., § 103; *Pointer v. Six-Wheel Corp.*, 9 Cir., 1949, 177 F. 2d 153, 160-161; *Pacific Contact Laboratories v. Solex Laboratories*, 9 Cir., 1953, 209 F. 2d 529, 532-533; *Jeoffroy Mfg. Co. v. Graham*, 5 Cir., 1953, 206 F. 2d 772, 776-778; *Stearns v. Tinker & Rasor*, 9 Cir., 1955, 220 F. 2d 49, 57-58] There is no merit to the contention that it is anticipated in the prior art. [35 U.S.C.A., § 102] Admittedly, the two best references (*T.H. Nifong*, 2120504, June 14, 1938, and *Arnold E. Johnson*, 2652166, September 15, 1953) do not contain the element which we have marked (2). There is no method in either for applying tension to or stretching the tape either before or after application in order to cause it to pass around an irregular contour so as to secure, in effect, a welding as set forth in the patent in suit. There is, therefore, absent an important element [119] of the method and the desirable result which

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<sup>1</sup> The Letters Patent are attached as Exhibit A at the end of the opinion.

its combination with the other elements achieves. And there can be no anticipation unless all the elements of the invention or their equivalents are found in a prior invention where they achieve the result in substantially the same manner. [Bianchi v. Baroli, 1948, 9 Cir., 168 F. 2d 793, 795-796; Allied Wheel Products v. Rude, 1953, 6 Cir., 206 F. 2d 752, 755-756]

The burden of establishing anticipation rests heavily on him who charges it. [Radio Corp. v. Radio Engineering Laboratories, 1934, 293 U.S. 1, 7-9; Marconi Wireless Co. v. United States, 1943, 320 U.S. 1, 34-35; Paraffine Companies v. McEverlast, Inc., 1936, 9 Cir., 84 F. 2d 335, 339; Insul-Wool Insulation Corp. v. Home Insulation, 10 Cir., 1949, 176 F. 2d 502, 504-505]

There is evidence in the record that the Minnesota Mining & Manufacturing Company made several attempts to construct a machine for the plaintiff for the purpose of achieving the result finally attained by this invention. They were interested in selling to the plaintiff their patented tape. Their employees were allowed on the premises of the plaintiff to see, and participated in, the experiments being carried on. Whether they were pledged to secrecy is not material. They knew that experiments were being carried on and the plaintiff had the right to rely on the decencies of ethical conduct which forbid a concern dealing with another to disclose to others experimental demonstrations and uses carried on in order to enable the two parties to deal in the future on more favorable terms. [120]

I am quite certain that the Minnesota Mining & Manufacturing Company did not act with deception. And there is direct testimony in the record that their representatives, who saw certain experiments anticipatory of the invention, understood that these were private experimental attempts to achieve certain results and did not amount to public disclosure or use of the method that was later patented. It would be a sad commentary on the ethics of business, indeed, if, on the basis of the facts disclosed here, an infringer could benefit by what would be a breach of trust. But ethics aside, legally the efforts were purely experimental, did not amount to public use, and were not anticipatory. [Electric Storage Battery Co. v. Shimadzu, 1939, 307 U.S. 5, 20; Merrill v. Builders Ornamental Iron Co., 1952, 10 Cir., 197 F. 2d 16, 18-19; Pacific Contact Laboratories v. Solex Laboratories, 1953, 9 Cir., 209 F. 2d 529, 534] More, the experiments were not successful as the models constructed with the aid of Minnesota Mining & Manufacturing Company proved unworkable. Only after their abandonment was the present novel and successful invention devised.

“\* \* \* And a prior unsuccessful experiment does not constitute invention and cannot therefore be an anticipation.” [Pacific Contact Laboratories v. Solex Laboratories, *supra*, p. 532]

So the claim of invalidity by reason of prior public disclosure or use in 1950 or 1951 made in the counterclaim must fail. [121]

The method used by the defendant infringes

Claim 1 for it uses, without deviation, the four steps described in the Claim, as was clearly demonstrated when the machine was operated at the trial. While thus satisfied that there has been deliberate infringement of the plaintiff's patented method, I am of the view that the plaintiff is not entitled to recover on the claim or cause of action for unfair competition. [28 U.S.C.A., § 1338(b)]

## II.

### Tests for Determining Unfair Practices

Unfair competition or unfair practices are condemned because they lead to confusion of sources of goods. [Restatement, Torts, §728] The test for determining the existence or non-existence of confusing similarity has been stated in this manner:

“The ultimate test of whether or not there is a confusing similarity between a designation and a trade-mark or trade name which it is alleged to infringe is the effect in the market in which they are used. In some cases the probable effect can be determined by a mere comparison of the designation with the trade-mark or trade name. In other cases extrinsic evidence may be necessary. In any event, the issue is whether an appreciable number of prospective purchasers of the goods or services in connection with which the designation and the trademark [122] or trade name are used are likely to regard them as indicating the same source. That a few particularly undiscerning prospective purchasers might be so misled is not enough. On the other hand, it is enough that an appreciable

number of purchasers are likely to be so misled, even though by exercising greater discernment they could avoid the error." [Restatement, Torts, § 728] [Emphasis added]

In most cases of this character, instances of actual confusion by purchasers are offered and received in evidence. Surveys and polls conducted by individuals or research organizations are also used. [Laskowitz, v. Marie Designer, Inc., 1954, D.C. Cal., 119 F. Supp. 541, 550; Note, Public Opinion Surveys as Evidence, 1953, 66 Harv. L. Rev., p. 498]

There is no such evidence in this case. We are, therefore, to determine whether,—to paraphrase the language of the Restatement—an appreciable number of prospective purchasers of the goods are likely to regard them as coming from the same source. So doing, we disregard what the Restatement calls "the undiscriminating prospective purchaser," and are guided by the effect upon the person who looks for brand names. [Restatement, Torts, § 717, Comment (b); & 727]

The test by which is determined the likelihood that confusion might be engendered in a purchaser's mind is given in the Restatement in this manner: "\* \* \* Under the rule stated in this Section, the likelihood that prospective purchasers will regard the use of the designation in the manner stated must be substantial. That there is a very remote possibility that prospective purchasers generally will so regard the use is not enough. Nor is it enough that there is strong likelihood that one or



two prospective purchasers will be so misled. On the other hand, the rule does not require a probability of general confusion among most of the prospective purchasers. Compare §728, Comment (a) “[Restatement, Torts, § 727] [Emphasis added]

[See, Restatement, Torts, § 730, Comment (b)]

These criteria have the approval of California courts. *Scudder Food Products v. Ginsberg*, 1943, 21 C(2) 596, 599-602; *Weatherford v. Eytchison*, 1949, 90 C.A.(2) 379, 384; *Schwartz v. Slenderella Systems of Cal.*, 1954, 43 C(2) 107, 112; *Sunlite Bakery v. Homecraft Baking Co.*, 1953, 119 C.A.(2) 143, 150.] And in their application, similarity and not complete identity is the determinant factor. [*Jackman v. Mau*, 1947, 78 C.A.(2) 234, 239; *American Distilling Co. v. Bellows & Co., Inc.*, 1951, 102 C.A.(2) 8, 23; *Palmer v. Gulf Pub. Co.*, 1948, D.C. Cal., 79 F. Supp. 731; *Lane Bryant, Inc. v. Maternity Lane, Ltd.*, 1949, 9 Cir., 173 F. 2d 559, 564; and see, Comment: Trade Name, Infringement as Unfair Competition, 1952, 40 Cal. L. Rev. 571; Note, Trade-Marks, Unfair Competition and the Courts, 1953, 66 Harv. L. Rev. 1094] [124]

If a secondary meaning is established, any copying may be unfair competition. However,

“To establish secondary meaning, the article itself must be so clearly identified with its source that its supply from any other source is clearly calculated to deceive the public and lead it to purchase the goods of one for that of another. *Sinko v. Snow Craggs Corp.*, 7 Cir., 105 F. 2d 450. To acquire a secondary meaning in the minds of the buying pub-

lie, an article of merchandise when shown to a prospective customer must prompt the affirmation, 'That is the article I want because I know its source,' and not the negative inquiry as to, 'Who makes that article?' In other words, the article must proclaim its identification with its source, and not simply stimulate inquiry about it." [Zangerle & Peterson Co. v. Venice Furniture Novelty Mfg. Co., 1943, 7 Cir., 133 F 2d 266, 270] [Emphasis added]

### III.

#### No Confusing Similarity

In the case before us, similarity is claimed in the use of colors and illustrations in combination on labels for cans and cartons. The primary colors of the spectrum are seven in number. A person cannot acquire a right to use colors singly or in combination. The law will not give protection unless colors are combined [125] with design or symbols in such a manner as to become a distinctive means of identifying one's product. Otherwise put, only colorable imitation of a distinct form which amounts to a fraudulent appropriation of another person's original design will be protected. [See, *Modesto Creamery v. Stanislaus Creamery Co.*, 1914, 168 C 289; *So. Calif. Fish Co. v. White Star Canning Co.*, 1920, 45 C.A. 426, 431-432; *Eastern-Columbia, Inc. v. Waldman*, 1947, 30 C.(2) 268; *Smith, Kline & French Laboratories v. Clark & Clark*, 3 Cir., 1946, 157 F. 2d 725, 729-730; *American Chicle Co. v. Topps Chewing Gum*, 2 Cir., 1953, 208 F. 2d 560; *American Chicle Co. v. Topps Chewing Gum*, 2 Cir.,

1954, 210 F. 2d 680; *Smith, Kline & French Laboratories v. Heart Pharmaceutical Corporation*, S.D. N.Y., 1950, 90 F. Supp. 976; *Esso Standard Oil Co. v. Bazerman*, E.D. N.Y., 1951, 99 F. Supp. 983; *H. Moffatt Co. v. Koftinow*, 1951, 104 C.A.(2) 560, 564-565; *MacSweeney Enterprises, Inc. v. Tarantino*, 1951, 106 C.A.(2) 504, 510-514; *Haeger Potteries v. Gilner Potteries*, D.C. Cal., 1954, 123 F. Supp. 261.]

The evidence in the record shows that the use by the defendants of colors and silhouettes or,—as one witness called them—“vignettes”, on cans containing Chinese foods preceded by many years their use by the plaintiff. Indeed, the defendants were in the field of selling canned oriental foods long before the plaintiffs. Both California and federal law protect the first user: [15 U.S.C.A., § 1052(d), (e)(1), (f); California Bus. & Prof. Code, §§ 14270, 14400] But, in order to be guilty of unfair [126] practice, the late-comer must imitate size, shape, style and color arrangement so as to produce a colorable imitation of the representation of his rival's product. [*American Distilling Co. v. Bellows & Co.*, 1951, 102 C.A. (2) 8, 21-26; *Seudder Food Products v. Ginsberg*, 1943, 21 C(2) 596, 601-602; *Albert Dickinson Co. v. Mellos Peanut Co.*, 7 Cir., 1950, 179 F. 2d 265, 269-270] Side by side comparison is not conclusive. But, in determining likelihood to create confusion, the cases just cited teach that the tout ensemble of the article as it appears to the average buyer is to be considered. Doing this, it is quite apparent that there is no confusing similarity here. In both in-

stances, there is a combination of colors, vignettes, pictures of dishes and words. But there is no limitation or simulation of the lettering, the form, the script, scrolls or any of the symbols used by the plaintiff. The designation and pictorial representation of the foods and of the elements composing them are the same because the names such as chow mein, chop suey and the like, have been long known by these names, and have been made in certain combinations in Chinese cookery from time immemorial. And there can be no exclusive appropriation of an accepted method of designating the character, kind and composition of a product. [Italian Swiss Colony v. Italian Vineyard Co., 1910, 158 Cal. 252, 257; Seudder Food Products v. Ginsberg, 1943, 21 C.(2) 596, 600]

An examination of the tout ensemble of the labels on cans that have been pointed to as the most likely to cause confusion (Exhibits 3 and 3A—cans containing “chop suey”) show such deviation in pattern, description and arrangement that it is unlikely that a person looking for the Chun King brand would pick up the can distinctly marked Jan-U-Wine which is the defendant’s [127] brand. There is no attempt to imitate the script. Even the height of the cans is not the same. Indeed, while the two colors are yellow and red, the shades are different. A casual buyer who did not buy by the brand might pick up one can for the other. But in that case, he is not the plaintiff’s prospective customer. On the contrary, he is in the market for Chinese food and his selection of one against the other does not in-

volve the type of choice as to which the law is anxious to avoid confusing deception. As stated by the Court in *Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co.*, 1942, 316 U.S. 203, 205:

“If it is true that we live by symbols, it is no less true that we purchase goods by them. A trademark is a merchandising short-cut which induces a purchaser to select what he wants, or what he has been led to believe he wants. The owner of a mark exploits this human propensity by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol. Whatever the means employed, the aim is the same—to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears. Once this is attained, the trademark owner has something of value. If another poaches upon the commercial magnetism of the symbol he has created, the owner can obtain legal redress.” [Emphasis added] [128]

A trade symbol must be attached to a product. And unless the product has become identified with the symbol, the law does not protect against competitors who sell the identical product. Where, as here, there is no evidence of actual confusion, the Court, in determining the likelihood of confusion, must attempt to “approximate the position of an ordinary purchaser.” [Rudolph Callman, 1950. *The Law of Unfair Competition and Trade-Marks*. 2 Ed., Vol. 3, & 81.1, p. 1376] Of necessity, such approximation involves factors often unprecise, and, at times, imponderable. As stated by the Court

of Appeals for the Seventh Circuit in *Colburn v. Puritan Mills, Inc.*, 7 Cir., 1939, 108 F. 2d 377, 378:

“The ascertainment of probability of confusion because of similarity of trade names presents a problem not solvable by a precise rule or measure. Rather is it a matter of varying human reactions to situations incapable of exact appraisalment \* \* \*

Is the similarity of name or dress such as to delude the public or will the prospective buyer readily differentiate between the two names? We can only contemplate, speculate, and weigh the probabilities of deception arising from the similarities and conclude as our and the District Judge’s reactions persuade us.” [Emphasis added]

[And see, *Albert Dickinson Co. v. Mellos Peanut Co.*, 7 Cir., 1950, 179 F. 2d 265, 269-270.]

The sale of Chinese foods in combination cans was not an innovation of the plaintiff. The plaintiffs are entitled to the [129] benefit of such custom as they have developed, even as a new-comer. But they are not entitled to a monopoly of the field. Nor are they entitled to be free from competition in the choice of what the Supreme Court has called “congenial symbols” [*Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co.*, *supra*], whether they relate to color, lettering, illustrations or other embellishments aiming to attract the potential customers unless one of two conditions is fulfilled, — (1) that there is an actual showing of confusion of source. [*Sunbeam Corporation v. Sunbeam Lighting Co.*, D.C. Cal., 1949, 83 F. Supp. 429; *Sunbeam Corporation v. Sunbeam Lighting Co.*, 1950, 183 F. 2d 969;

Sunbeam Corporation v. Sunbeam Furniture Corp., D.C. Cal., 1950, 88 F. Supp. 852; Sunbeam Furniture Corp. v. Sunbeam Corporation, 9 Cir., 1950, 191 F. 2d 141; Silvers v. Russell, D.C. Cal., 1953, 113 F. Supp. 119] or (2) that there is likelihood of such confusion. [Palmer v. Gulf Pub. Co., D.C. Cal., 1948, 79 F. Supp. 731]

In what precedes we have already shown why the label relating to "beef chop suey" which presents the most numerous elements of similarity, does not, in the light of declared principles, infringe upon any of the rights of the plaintiffs. Nor, in our view, do the other labels or symbols on cans and cartons which have been pointed to in the evidence as showing confusing similarity, satisfy the legal norms of unfair practices. The language which the California District Court of Appeals used in a similar case in which a trial court actually granted injunctive relief against a color and figure combination used by fish canner could well sum up the reasons for denying relief in this case: [130] "Nor is plaintiff's case helped by the fact that dark blue, the color of the background, is the predominant color in both labels, though it is apparent that the gravamen of plaintiff's charge lies in an alleged imitative color scheme. It is the one specific feature emphasized by the plaintiff throughout the case. It is true that sometimes a color taken in connection with other characteristics, may serve to distinguish one's goods, and thus be protected by the courts. (Fairbanks Co. v. Bell Mfg. Co., 77 Fed. 869 (23 C.C.A. 554)—a case where, however, there was proof of specific

instances of deception.) But as a rule a color cannot be monopolized to distinguish a product. There are not more than seven primary colors, and if one of these may be appropriated as a distinguishing characteristic of a label, it would not take long to appropriate the rest. Thus, by appropriating the colors, the packing of tuna could be monopolized by a few vigilant concerns. To allow colors to be appropriated would foster monopoly by foreclosing the use by others of any tasty dress; and where the difference between plaintiff's and defendant's labels are so marked in other respects that, in the absence of identity of color, there can be no possibility of confusion, a charge of unfair competition falls to the ground." [So. Cal. Fish Co. v. White Star Canning Co., 1920, 45 Cal. App. 426, 431] [Emphasis added] Our own Court of Appeals has stated that there could be no recovery for unfair competition unless

"\* \* \* the name or appearance of the injured product has acquired either a technical trade-mark or a secondary [131] meaning." [Ross-Whitney Corp. v. Smith, Kline & French Laboratories, 9 Cir., 1953, 207 F. 2d 190, 196;

[See, Pacific Contact Laboratories, Inc. v. Solex Laboratories, Inc., 1953, 9 Cir., 209 F. 2d 529, 534]

The conditions which would give rise to a secondary meaning for the plaintiff's labels do not exist in this case. For the plaintiff's method of packaging or labelling has not become indented in the eyes of purchasers of Chinese foods with the plaintiff's



product. [See, *Zangerle & Peterson Co. v. Venice Furniture Novelty Mfg. Co.*, 7 Cir., 1943, 133 F. 2d 266, 270] These considerations gain added strength when it is borne in mind that, as already appears, the defendant preceded the plaintiff in the field and that the use by it of distinctive identifying symbols singly and in combination preceded use by the plaintiff. To this situation the language of Judge Learned Hand in *American Chicle Co. v. Topps Chewing Gum*, 1953, 2 Cir., 208 F. 2d 560, 563, is very apposite:

“It cannot be denied that courts have at times reasoned as though a second comer were free to divert a first comer’s customers, if he confined himself to those who were unduly careless. If the issue were whether such buyers could complain that they did not get what they wanted, it might be an answer in the second comer’s mouth that they had them-  
[132] selves to thank for their failure to look more closely at the ‘make-up’; though even that is a doubtful answer. Be that as it may, the issue becomes altogether different when it is between a first and a second comer, for the first comer’s customers are as valuable to him as any others; and their carelessness can hardly be charged to him.— Why they should be deemed more legitimate game for a poacher than his careful buyers, it is hard to see, unless it be on the ground that he should have made his mark so conspicuous that it would serve to hold even the most heedless.” [Emphasis added]

Judgment will therefore be for the plaintiff on the

first cause of action only that Claim 1 of the patent in suit is valid and infringed.

Dated: December 13, 1955.

/s/ LEON R. YANKWICH,

Judge

[133]

[Note: Patent No. 2,679,281, Exhibit A is set out in Book of Exhibits.]

[Endorsed]: Filed Dec. 13, 1955.

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In the United States District Court, Southern  
District of California, Central Division

Civil Action No. 17882-Y

CHUN KING SALES, INC., and JENO F.  
PAULUCCI, Plaintiffs,

vs.

ORIENTAL FOODS, INC., Defendants.

FINDINGS OF FACT AND CONCLUSIONS  
OF LAW AND JUDGMENT

Findings of Fact

1.

Plaintiff, Chun King Sales, Inc., is a corporation organized and existing under the laws of the State of Minnesota, having a regular and established place of business at Duluth, County of St. Louis, State of Minnesota.

2.

Plaintiff, Jeno F. Paulucci is a citizen of the

United States of America and a resident of Duluth, County of St. Louis, State of Minnesota.

3.

Defendant, Oriental Foods, Inc., is a corporation organized and existing under the laws of the State of California, and has its principal place of business at 7272 East Gage Avenue, Bell (Bell Gardens), County of Los Angeles, California. [138]

4.

The Court has jurisdiction of this cause of action under 28 U.S.C. 1338 and under 28 U.S.C. 1332.

5.

Plaintiff, Jeno F. Paulucci, is the owner of all right, title and interest in and to United States Letters Patent No. 2,679,281.

6.

Plaintiff, Chun King Sales, Inc., is the exclusive licensee under said United States Letters Patent No. 2,679,281.

7.

The invention of the Paulucci patent No. 2,679,281 resides in causing the tape to pass around an irregular contour to engage the side walls of two abutting cans, as well as the beads thereof in a stretched condition, whereby the tape is extended transversely of its length at an intermediate section with the result that the tape adheres completely to the beads of the can ends, holding the cans as "welded" together.

## 8.

In the art of food distribution a real problem existed in the stable and economical distribution and sale of multiple cans of related merchandise as a single sales item. This problem included the permanent association of the multiple cans so that the retailer did not separate the associated cans to sell the same separately and also the need of an inexpensive means of securing the cans together, which would also permit their easy separation by the ultimate purchaser. [139]

## 9.

The Paulucci patent No. 2,679,281 in suit teaches a solution to the problem set forth in Finding 8, and this solution is defined by claim 1 thereof.

## 10.

The invention of claim 1 of the Paulucci patent No. 2,679,281 in suit has had wide commercial success.

## 11.

It required the exercise of inventive faculty over and above the knowledge of the prior art to invent the method defined by claim 1 of Paulucci patent No. 2,679,281.

## 12.

The method defined by claim 1 of the Paulucci patent No. 2,679,281 produces a result in excess of the accumulation of results of the individual elements of the claim in causing the tape to pass around an irregular contour to engage the side walls of the two cans as well as the beads thereof in

a stretched condition, whereby the tape is extended transversely of its length at an intermediate section with the result that the tape adheres completely to the beads of the can ends holding the cans as "welded" together.

13.

Claim 1 of the Paulucci patent No. 2,679,281 in suit defines an invention first made by Jeno F. Paulucci, which overcame the problem existing in this art.

14.

The method used by defendant utilizes each of the steps, having the same mode of operation and producing the same result as the method disclosed and set forth in the Paulucci patent No. 2,679,281 and defined by claim 1. [140]

15.

The method employed by defendant used the invention of the Paulucci patent No. 2,679,281 as set forth in Finding 8 and defined by claim 1 of the patent.

16.

Defendant has failed to establish any instance of prior knowledge or invention of the method disclosed and claimed in the Paulucci patent No. 2,679,281, nor any solution of the problem in this art first solved by Jeno F. Paulucci.

17.

All prior attempts at a solution to the problem by both plaintiffs and defendant prior to the inven-

tion of Paulucci proved a failure and were abandoned.

## 18.

The prior patents and publications relied upon by defendant do not anticipate or limit claim 1 of the Paulucci patent No. 2,679,281 in suit, and fail to teach a solution of the problem first successfully solved by Jeno F. Paulucci.

## 19.

The prior art does not anticipate the invention defined by claim 1 of the Paulucci patent No. 2,679,281.

## 20.

The prior methods used by Minnesota Mining & Manufacturing Company were unsuccessful and unworkable and did not constitute an anticipation of the Paulucci patent No. 2,679,281, and specifically claim 1 thereof.

## 21.

The work done by Minnesota Mining & Manufacturing Company and the methods used therein prior to the invention of the patent [141] in suit did not utilize the invention defined by claim 1 of the patent No. 2,679,281.

## 22.

The work done and method used by Minnesota Mining & Manufacturing Company prior to the invention of the patent No. 2,679,281 in suit was a prior unsuccessful experiment and was not an anticipation.

23.

The method described in Paulucci patent No. 2,679,281 and defined in claim 1 thereof constitutes an invention over the prior methods utilized by Minnesota Mining & Manufacturing Company.

24.

There was no instance of prior public knowledge or use of the method defined by claim 1 of Paulucci patent No. 2,679,281 established.

25.

There has been no proof of confusion in the industry as to the source of goods sold by defendant.

26.

No appreciable number of prospective purchasers of these goods of the class that the law protects are likely to be confused as to the source thereof.

27.

The labels of both plaintiffs' and defendant's goods are a combination of colors, vignettes, pictures of dishes and words. [142]

28.

There is no simulation by defendant of the lettering, form, script, scrolls or any of the symbols used by plaintiffs.

29.

By comparison of the tout ensemble of the labels there is no confusing similarity between same.

## 30.

A casual buyer who did not buy by the brand name might pick up one can for the other.

## 31.

A buyer who was looking for plaintiffs' Chun King brand can would not be likely to pick up defendant's Jan-U-Wine brand can.

## Conclusions of Law

## I.

The Letters Patent No. 2,679,281 was duly and legally issued on May 25, 1954. That the plaintiff, Jenó F. Paulucci, is the owner of the entire right, title and interest in and to said Letters Patent and the plaintiff, Chun King Sales, Inc., is the exclusive licensee under said Letters Patent.

## II.

That Claim 1 of Letters Patent No. 2,679,281 in suit is good and valid in law and that said Claim 1 covers a new and meritorious invention.

## III.

That defendant has infringed Claim 1 of said Letters Patent No. 2,679,281 in the method used by defendant in securing cans in end-to-end relationship. [143]

## IV.

That plaintiff is entitled to a judgment and to an injunction and an accounting and costs as prayed for in the Complaint filed herein with respect to the



first cause of action for patent infringement limited to Claim 1 of said Letters Patent, and under the conditions set forth in Paragraph Nine of the Judgment hereinafter set forth.

V.

That defendant has not competed unfairly with plaintiffs.

VI.

That plaintiffs recover nothing by the second cause of action for unfair competition.

VII.

That plaintiffs are entitled to judgment on the counterclaim.

Judgment

In accordance with the foregoing findings and conclusions, it is ordered, adjudged and decreed:

1.

That plaintiff is the owner of the entire right, title and interest in and to Letters Patent No. 2,679,281, granted May 25, 1954, to Jeno F. Paulucci, together with all rights of action for infringement thereof, and plaintiff Chun King Sales, Inc., is the exclusive licensee under said patent.

2.

That Claim 1 of said Letters Patent No. 2,679,281 is good and valid in law. [144]

3.

That defendants have infringed Claim 1 of Let-

ters Patent No. 2,679,281 by the use of the method of securing cans in end-to-end relationship.

4.

That defendants have not competed unfairly with plaintiffs.

5.

That plaintiffs herein have judgment on their Complaint for infringement of Claim 1 of Letters Patent No. 2,679,281, as prayed for.

6.

That plaintiffs recover nothing by the action for unfair competition.

7.

That plaintiffs have judgment on the counterclaim that Claim 1 of Letters Patent No. 2,679,281 is valid and that defendant recover nothing thereby.

8.

That a perpetual injunction be issued out of and under the seal of this Court, restraining the defendant, its officers, agents, servants, employees and those persons, companies or corporations in active concert or participation with them, from using or otherwise employing the method patented in and by said Letters Patent No. 2,679,281.

9.

That plaintiffs recover from defendant general damages which shall be due compensation for the using of the method patented in Letters Patent No. 2,679,281, together with an accounting thereof, in-

cluding such costs and interests as may be fixed by the Court, the damages to be ascertained by a Master to be appointed after the judgment to be entered [145] herein shall have become final.

10.

That plaintiffs recover from said defendant the taxable costs of plaintiffs in this Court and that plaintiffs shall have judgment for such costs, taxed in amount of \$312.55.

Dated this 11th day of January, 1956.

/s/ LEON R. YANKWICH,  
United States District Judge [146]

Affidavit of Service attached. [147]

[Endorsed]: Filed, Docketed and Entered Jan. 11, 1956.

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[Title of District Court and Cause.]

## DEFENDANT'S MOTION TO AMEND FINDINGS OF FACT

Now comes the defendant in the above-entitled action and pursuant to Rule 52(b) of the Rules of Civil Procedure hereby moves this Honorable Court to amend its findings of fact entered on January 11, 1956, therein, as follows:

### Finding 7

Objections: This finding, we suggest, is entirely improper, because there is no evidence to support such a broad finding. Claim 1 of the patent in suit

sets forth four separate and distinct steps in the method, and if any finding is to be made as to the alleged invention it should do no more than paraphrase the four steps of claim 1. [151]

Authority: (1) The claims of the patent define and measure the invention:

See: *Mantz v. Kersting*, 29 F. Supp. 706; *Blanchard v. Pinkerton*, 77 F. Supp. 861; *Ganter v. Unit Venetian Blind Supply Co.*, 89 F. Supp. 479.

#### Finding 10

This finding is, we suggest, improper because there is no evidence that the plaintiffs or anybody else ever employed any method of taping cans together in which the tape was stretched before being applied to the cans as required by Step No. 2 of claim 1 of the patent in suit. We suggest that this finding should be deleted, and that in lieu thereof the following should be substituted:

#### “10.

“The invention of claim 1 of the Paulucci patent No. 2,679,281 in suit has had no commercial success.”

#### Finding 12

In this finding, the words “the tape is extended transversely of its length of an intermediate section” have no support in the evidence and should be deleted.

#### Findings 14 and 15

Findings 14 and 15 are objected to as being mere general statements of ultimate fact or conclusions

of law and not proper findings of fact as required by *Schneidermann v. United States*, 320 U. S. 118, 129, 63 S. Ct. 1333, 87 L. Ed. 1796. As pointed out by this Court in *Brooks Bros. v. Brooks Clothing of California*, [152] 5 F. R. D. 14 (1945), “findings of ultimate facts—as we were taught by the older authorities—are no longer sufficient.” We suggest that it is incumbent on the Court to find specifically the facts, as shown by the evidence, upon which the conclusion of infringement is predicated. Our Court of Appeals has held that the findings should show the basis of the District Court’s decision [*Irish v. United States*, 225 F. (2d) 3].

### Finding 17

This finding should be amended to delete reference to defendant, because all of the evidence was to the effect that the hand taping method used commercially by the defendant starting in 1949 was substantially the same as its hand taping method used by it today.

### Finding 20

The words “were unsuccessful and unworkable” should be deleted from this finding, as all of the evidence shows that the method of operation of the prototype machine sent by Minnesota Mining & Manufacturing Company to plaintiff Chun King Sales, Inc. in early 1951 was substantially the same as that practiced by the defendant’s accused Dellenbarger machine.

## Suggested Additional Findings

A number of essential issues were raised in this action as to which no findings of fact have been made and, we suggest, findings of fact should be made by the Court as to each, as follows:

## Proposed Additional Findings:

“32.

“The defendant has not infringed either claim 2 or 3 of the Paulucci patent No. 2,678,281 in suit.”

“33.

“Claims 2 and 3 of the Paulucci patent No. 2,678,281 are, and each of them is, invalid due to ordinary commercial public use of the apparatus covered thereby by the plaintiffs more than one year prior to the filing of said application and prior to the alleged date of invention thereof.”

“34.

“Claims 2 and 3 of the Paulucci patent No. 2,678,281 are, and each of them is, invalid for lack of invention over the prior art.”

## Reasons for Adding 32 and 33:

The issues of both infringement and validity of claims 2 and 3 of the Paulucci patent were raised by the complaint, answer and counterclaim, and the Court should make findings of fact thereon.

See: *Trico Products Corp. v. Anderson Co.*, 147 F. (2d) 721 (C.C.A. 7th 1945); *Chiplets, Inc. v. June Dairy Products Co., Inc.*, 89 F. Supp. 814 (D. C. N. J. 1950); *Oswego Falls Corp. v. American Seal-Nap Corp.*, 65 F. Supp. 338 (D. C. N. Y.

1946); *De Cew v. Union Bag & Paper Corp.*, 59 F. Supp. 301 (D. C. N. J. 1945); *Scovill Mfg. Co. v. United States Electric Mfg. Corp.*, 31 F. Supp. 115 (D. C. N. Y. 1940); *Knaust Bros., Inc., v. Goldschlag*, 28 F. Supp. 188 (D. C. N. Y. 1939).

Also, findings of fact should be made on all essential issues [See: *Paramount Pest Control v. Brewer*, 170 F. (2d) 553 (9th); [154] *United States v. Trubow*, 196 F. (2d) 161 (9th)]. Unless this Court makes specific findings as to claims 2 and 3 of the patent in suit, the action will probably be remanded for such findings, with the attendant unnecessary delays and expense to the parties.

#### Proposed Additional Finding:

##### “35.

“More than one year prior to the filing of the application for the Paulucci patent No. 2,678,281, and prior to the earliest date of invention thereof, the plaintiff Chun King Sales, Inc. was commercially securing two cans together in end-to-end relationship with sticky resilient tape by the use of the apparatus illustrated in Fig. 3 of said patent, and commercially sold substantial quantities of such cans so secured together.”

#### Reasons for Adding 35:

There was a substantial issue as to whether the plaintiffs, or either of them, commenced commercial use of the apparatus of Fig. 3 of the patent in suit prior to the invention thereof, and as to the period

and extent of such use, and appropriate findings should be made on this issue.

Proposed Additional Finding:

“36.

“Commencing in 1949, and continuing through 1950, and until August, 1951, the plaintiff Chun King Sales, Inc. commercially secured together two cans of food in end-to-end relationship by using sticky, resilient tape applied to adjoining beads of the cans and the only difference between such method and that practiced later by the plaintiff under the patent in suit was the amount of tension [155] applied to the tape during application to the cans. Such products made in 1949, 1950, and 1951, by said plaintiff were extensively sold commercially.”

Reasons for Adding 36:

There was a substantial issue of fact as to the nature of the original commercial taping operations of the plaintiff in the years 1949, 1950, and up to August, 1951, and, we suggest, the Court should make available findings with respect thereto.

Proposed Additional Finding:

“37.

“The hand-taping operations employed by the defendant commencing in 1949 and now used by the defendant do not infringe claim 1 of the Pau-lucci patent No. 2,678,281 in suit.”



Reasons for Adding 37:

There was, and will continue to be, a substantial issue of fact as to whether the hand or manual tapping operations of the defendant infringe claim 1 of the patent in suit and, we suggest, the Court should make a specific finding of fact on this issue.

Dated: January 20, 1956.

Respectfully submitted,

HARRIS, KIECH, FOSTER &  
HARRIS,  
FORD HARRIS, JR.,  
WALTON EUGENE TINSLEY,

/s/ By FORD HARRIS, JR.,  
Attorneys for Defendant. [156]

Affidavit of Service by Mail Attached. [157]

[Endorsed]: Filed January 23, 1956.

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United States District Court, Southern District of  
California, Central Division

No. 17,882-Y Civil

## MINUTES OF THE COURT

Date: February 13, 1956. At Los Angeles, Calif.

[Title of Cause.]

Present: Hon. Leon R. Yankwich, District Judge.  
Deputy Clerk: Louis Cunliffe. Reporter: Marie

Zellner. Counsel for Plaintiff: Douglas Lyon and Lewis E. Lyon. Counsel for Defendant: Ford Harris, Jr.

Proceedings: For hearing on defendants' motions, pursuant to Rule 62(a) and 62(b), and on motion to amend findings, etc.

It Is Ordered that defendants' motion to amend findings is denied.

It Is Ordered that motion to stay costs and suspend temporary injunction pending appeal is granted to March 12, 1956. [158]

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[Title of District Court and Cause.]

#### NOTICE OF APPEAL

Oriental Foods, Inc., defendant in the above-entitled action, hereby appeals to the United States Court of Appeals for the Ninth Circuit from paragraphs 2, 3, 7, 8, 9, and 10 of the judgment docketed and entered on January 11, 1956, in the above-entitled action.

Dated: February 24, 1956.

HARRIS, KIECH, FOSTER &  
HARRIS,  
FORD HARRIS, JR.,  
WALTON EUGENE TINSLEY,

/s/ By FORD HARRIS, JR.,  
Attorneys for Defendant. [159]

Affidavit of Service by Mail Attached. [160]

[Endorsed]: Filed February 24, 1956.

[Title of District Court and Cause.]

DEFENDANT'S MOTION FOR STAY OF IN-  
JUNCTION, ETC. PENDING APPEAL

Now comes the defendant in the above-entitled action and moves this Honorable Court for an order pursuant to Rule 62 of the Rules of Civil Procedure suspending the injunction presently issued and staying enforcement of the Judgment entered on January 11, 1956, pending determination of an appeal of said defendant from said Judgment to the United States Court of Appeals for the Ninth Circuit, a suggested form of order being attached hereto. This motion is based upon the following grounds:

(1) The continuance or issuance of an injunction pending determination of said appeal would cause irreparable damage to defendant;

(2) To permit execution pending a determination of appeal of the judgment for taxable costs might irreparably damage the defendant; [162]

(3) Plaintiffs cannot be prejudiced by such a stay, as their rights in the premises can be protected by a suitable bond required of defendant as a condition of such stay; and

(4) The status quo of the action should be preserved pending determination of said appeal.

In support of this motion, defendant will rely upon the pleadings and papers on file in this action,

upon the attached affidavit of Jaisohn Hyun, and upon Rule 62 of the Rules of Civil Procedure.

Dated: February 24, 1956.

Respectfully submitted,

HARRIS, KIECH, FOSTER &  
HARRIS,

FORD HARRIS, JR.,

WALTON EUGENE TINSLEY,

/s/ By FORD HARRIS, JR.,

Attorneys for Defendant. [163]

[Title of District Court and Cause.]

### AFFIDAVIT OF JAISOHN HYUN

State of California

County of Los Angeles—ss.

Jaisohn Hyun, being duly sworn, deposes and says that:

I am executive vice-president of defendant Oriental Foods, Inc., the defendant in the above-entitled action, and am familiar with its business and operations.

The Dellenbarger machine illustrated in the photographs plaintiffs' Exhibits 21A to 21G, inclusive, the operation of which was held by the Court to infringe the patent in suit, was purchased by a purchase order dated May 3, 1954, by Oriental Foods, Inc. from Dellenbarger Machine Company, Inc., of 379 West Broadway, New York 12, New York, for the price of \$1,550.00. At the time Ori-

ental Foods, Inc. so purchased said machine it had never heard of the Paulucci patent No. 2,679,281 in suit (which did not issue until May 25, 1954) and did not learn of the existence of said patent or of any claim of either of the plaintiffs to said action that Oriental Foods, Inc. was infringing said patent until it received written notice of such infringement on July 20, 1954, from counsel for the plaintiffs.

In the event that an injunction were to issue in the above action prohibiting Oriental Foods, Inc. from using said Dellenbarger machine, its business would be seriously disrupted, it would have difficulty in filling orders now on hand, and its reputation in the food packing business would be seriously injured thereby. To find and train a new crew of workers to tape cans by hand to replace the defendant's normal production by said Dellenbarger machine would require a substantial period of time and would seriously disrupt defendant's organization, its operations, and its ability to fill orders for its unpatented products.

/s/ JAISOHN HYUN.

Subscribed and sworn to before me, a Notary Public in and for said County and State aforesaid, this 20th day of February, 1956.

[Seal]      /s/ BERNICE SHOEMAKER,  
Notary Public. [165]

Affidavit of Service by Mail Attached. [166]

[Endorsed]: Filed February 24, 1956.

[Title of District Court and Cause.]

ORDER STAYING INJUNCTION  
AND FIXING BOND

The above-entitled action having this day come on for hearing upon the motion of defendant, *Oriental Foods, Inc.*, for stay of injunction and enforcement of the judgment pending appeal, and a notice of appeal having been filed by said defendant in this Court on February 24, 1956, and for good cause shown,

It Is Hereby Ordered and Decreed, pursuant to Rule 62 of the Rules of Civil Procedure, that the injunction ordered to be issued by the Judgment of this Court entered on January 11, 1956, and the injunction issued on January 17, 1956, pursuant thereto, and execution on said Judgment, be and they hereby are suspended and stayed, pending the determination of the appeal or until further order of this Court, upon condition that the defendant file with the Clerk of this Court on or before March 19th, 1956, a good and sufficient bond in the sum of Eight Thousand (\$8000.00) Dollars. [167] The condition of such bond shall be that if *Oriental Foods, Inc.* shall prosecute its said appeal to effect, or if it fails to make good its said appeal, shall answer all costs adjudged against it by reason thereof and shall pay plaintiff all damages which may be adjudged against defendant from and after the entry of the Judgment on January 11, 1956, until the final decision of the United States Court

of Appeals for the Ninth Circuit, then this obligation shall be void; otherwise, the same shall be and remain in full force and effect; provided, however, that this bond shall not be considered as securing the payment for any damages which may be adjudged against the defendant by reason of any use of the enjoined method prior to the making and entry of said Judgment on January 11, 1956. No separate bond on appeal need be filed under Rule 73(c) of the Rules of Civil Procedure.

Dated: This 5th day of March, 1956.

/s/ LEON R. YANKWICH,  
United States District Judge.

Presented by:

HARRIS, KIECH, FOSTER &  
HARRIS,

/s/ By FORD HARRIS, JR.,

Attorneys for Defendant. [168]

[Endorsed]: Filed March 5, 1956. Docketed and Entered March 6, 1956.

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[Title of District Court and Cause.]

### AMENDED NOTICE OF APPEAL

Oriental Foods, Inc., defendant in the above-entitled action, hereby appeals to the United States Court of Appeals for the Ninth Circuit from paragraphs 1, 2, 3, 5, 7, 8, 9, and 10 of the judgment

docketed and entered January 11, 1956, in the above-entitled action.

Dated: March 5, 1956.

HARRIS, KIECH, FOSTER &  
HARRIS,  
FORD HARRIS, JR.,  
WALTON EUGENE TINSLEY,

/s/ By FORD HARRIS, JR.,  
Attorneys for Defendant. [169]

Affidavit of Service by Mail Attached. [170]

[Endorsed]: Filed March 6, 1956.

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[Title of District Court and Cause.]

#### NOTICE OF APPEAL

Chun King Sales, Inc., and Jeno F. Paulucci, plaintiffs, hereby appeal to the United States Court of Appeals for the ninth circuit from that portion of the judgment which denies relief for unfair competition including paragraphs 4 and 6 of the judgment docketed and entered on January 11, 1956, in the above-entitled action.

Dated: March 6, 1956.

CHUN KING SALES, INC., and  
JENO F. PAULUCCI,

/s/ By ROBERT DOUGLAS LYON,  
Attorney for Plaintiffs. [172]

Affidavit of Service by Mail Attached. [173]

[Endorsed]: Filed March 6, 1956.



[Title of District Court and Cause.]

CERTIFICATE BY CLERK

I, John A. Childress, Clerk of the United States District Court for the Southern District of California, do hereby certify that the foregoing pages numbered 1 to 183, inclusive, contain the original

Complaint;

Answer and Counterclaim;

Plaintiffs' Interrogatories;

Answer to Counterclaim;

Notice of Hearing of Objections to Certain Interrogatories;

Motion to Compel Deponent to Produce Certain Documents and to Answer Certain Oral Interrogatories;

Defendant's Further Answer to Plaintiffs' Interrogatories;

Defendant's Request for Admissions;

Opinion;

Findings of Fact, Conclusions of Law and Judgment;

Motion to Amend Findings of Fact;

Notice of Appeal;

Motion for Stay of Injunction, etc., Pending Appeal;

Order Staying Injunction and Fixing Bond;

Amended Notice of Appeal;

Designation of Record on Appeal by Appellant  
Oriental Foods, Inc.;

Statement of Points on Appeal;

which, together with a full, true and correct copy of the Minutes of the Court for February 13, 1956; 2 volumes of reporter's transcript of proceedings; and plaintiffs' exhibits, 1, 2, 3, 3A, 5, 5A, 6, 6A, 7, 7A, 8, 8A, 9, 9A, 10, 10A, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21A to 21G, inclusive, 22, 23, 24, 25, 26, 27, 28, 29, 30, 34, 36, 37, 38, 39, 40, 41F, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57 and defendant's exhibits A, B, C, D, F to S, inclusive, T, U, V, W, X, X1, X2, X3, X4, Y, Z, AA, AB, AC, AD, AE-1, AE-2, AF, AG, AH, AI, AJ, AK, AL-1, AL-2, AM-1, AM-2, AM-3, all in the above-entitled cause, constitute the transcript of record on appeal to the United States Court of Appeals for the Ninth Circuit, in the above case.

I further certify that my fees for preparing the foregoing record amount to \$2.00, which sum has been paid by appellant.

Witness my hand and the seal of the said District Court this 18th day of April, 1956.

[Seal]

JOHN A. CHILDRESS,  
Clerk.

/s/ By CHARLES E. JONES,  
Deputy.

[Title of District Court and Cause.]

CERTIFICATE BY CLERK

I, John A. Childress, Clerk of the United States District Court for the Southern District of California, do hereby certify that the foregoing pages numbered 1 to 10, inclusive, contain the original

Notice of Appeal;

Designation of the Portions of Record on Appeal;

Statement of Points on Appeal;

all in the above-entitled cause, constitute the transcript of record on appeal to the United States Court of Appeals for the Ninth Circuit in the above case.

I further certify that my fees for preparing the foregoing record amount to \$2.00, which sum has been paid by appellant.

Witness my hand and the seal of the said District Court this 18th day of April, 1956.

[Seal]                      JOHN A. CHILDRESS,  
Clerk.

/s/ By CHARLES E. JONES,  
Deputy.

In the United States District Court, Southern  
District of California, Central Division

No. 17,882-Y Civil

CHUN KING SALES, INC., and JENO F.  
PAULUCCI, Plaintiffs,  
vs.

ORIENTAL FOODS, INC., Defendant.

REPORTER'S TRANSCRIPT OF  
PROCEEDINGS

Los Angeles, California, Tuesday, November 22,  
1955. [1\*]

Honorable Leon R. Yankwich, Judge presiding.

Appearances: For the Plaintiffs: Lyon & Lyon,  
by Lewis E. Lyon, Esq., and R. Douglas Lyon, Esq.,  
811 West 7th Street, Los Angeles 17, California;  
and Williamson, Schroeder, Adams & Meyers, by  
Everett J. Schroeder, Esq., 950 Pillsbury Building,  
Minneapolis 2, Minnesota. For the Defendant: Har-  
ris, Kiech, Foster & Harris, by Ford Harris, Jr.,  
Esq., and Walton Eugene Tinsley, Esq., 417 South  
Hill Street, Los Angeles 13, California. [2]

Tuesday, November 22, 1955. 10:00 A.M.

The Clerk: 17,882-Y, Chun King Sales, Inc., et  
al., v. Oriental Foods, Inc. Lyon & Lyon, by Lewis  
E. Lyon and R. Douglas Lyon for the plaintiffs, and

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\* Page numbers appearing at top of page of original Reporter's  
Transcript of Record.

associated with them is Mr. Everett J. Schroeder, out of town counsel. For the defendant is Harris, Kiech, Foster & Harris by Mr. Ford Harris, Jr., and Mr. Walton E. Tinsley.

The Court: All right, gentlemen, you are ready for trial?

Mr. Lewis E. Lyon: Yes, your Honor, we are ready. [3]

\* \* \* \* \*

The Court: The only thing I want you to state to me is this: I have read the pleadings, I have read the memoranda, even the trial memoranda filed by the defendant on the 17th. I am familiar with the issues. The one point I want you to state is whether you rely on all three of the claims, or whether you rely only on one. Of course, it is customary to allege general infringement, but, as you know, we always require counsel for the plaintiffs to state whether he relies [4] on all, or one in particular, which simplifies issues.

Mr. Lewis E. Lyon: Yes, your Honor, and we are in this case relying upon claim 1 of the patent in suit.

The Court: Claim 1. Now, that answers the question. Counsel also raise the point in their memorandum about the matter, so that answers the question.

Mr. Lewis E. Lyon: Your Honor, at this time I would like to offer in evidence a printed copy of the patent No. 2,679,281 as Exhibit 1. It is the patent in suit.

The Court: Will you furnish me with a loose copy?

Mr. Lewis E. Lyon: Yes.

The Court: You know, I always like to have a loose copy so that I will not have to take the one which is either an exhibit, or an attachment to the complaint.

Mr. Lewis E. Lyon: Here is a copy for the court.

(The document was handed to the court.)

Mr. Lewis E. Lyon: Your Honor has already determined, as has been made evident to us, that you realize this is an action for patent infringement and for unfair trade practices.

We are directing our claim of infringement to claim 1 of the Paulucci patent, No. 2,679,281, Exhibit 1. [5]

[See Book of Exhibits.]

\* \* \* \* \*

Now, when we get into the matter of the patent in suit, I don't desire to belabor a long opening statement to your Honor, because I know that you will want to hear the evidence, and not what I think about it.

The Court: That is right.

Mr. Lewis E. Lyon: But I want to make you cognizant of the issues, as I see them. And in this case you have what is known as the divided or double can pack, which is the subject of the patent in suit, and the manner in which those cans are tied together so as to make a retail package,—a retail package that will stay together.

Now, the evidence will show that the parties have

been seeking to perfect a method of so selling this product since 1949 and earlier. [7]

The evidence will show that the plaintiff, Chun King, put out some packages in 1949 of a divided pack, taped together.

It will show that that was unsuccessful, that the packages came apart, to the extent that each one of their salesmen over the country was equipped with rolls of tape of the different colors used on the different cans, and he went from market to market and retaped the cans as they came apart, to keep them a salable product, to the extent that they finally stopped it and then decided, well, now, maybe we can do something with this double pack idea by soldering the cans together. So they soldered them together, and that was a very unsuccessful attempt, because soldering resulted in corrosion of the cans, and was very expensive, as well as being, you might say, bad to the point of being unsanitary.

Then Mr. Paulucci discovered, at the time plaintiff's plant was moved in Duluth from one location to another, the method of the patent in suit, which involves the use of a flexible tape, which is applied to the cans under tension, to the extent that it stretches the tape, so that that tape does not just lie over the flanges of the can, but it follows the contour of the flanges because of the stretch of the tape and the tension, as it is applied, and also goes down and grips the can on each side of the flanges. That was an application of the tape in very material tension, so that [8] you stretched the tape to produce this type of wrapping, which is then very

secure, and relatively inexpensive, as compared to other methods.

The defendants also testified that they tried in 1949, or thereabouts, to use a method, and they testified that they tried hand taping cans under a certain method, but that that was unsatisfactory because it was too slow and economically bad, so they couldn't do it. [9]

\* \* \* \* \*

Mr. Harris: Yes, your Honor, of course. But my point is simply that the plaintiff has not stated what, if anything, they claim is the invention of this patent.

The Court: The invention is simple.

Mr. Harris: Yes, sir.

The Court: It is a method of—not the idea of tying cans together, but an original method of taping them. And [12] that, as I said early in my career as a federal judge, may be a humble invention, but an invention may lie in a very simple and humble thing. I said that probably in the most successful case in recent years, and that was in the zipper case. [13]

\* \* \* \* \*

The Court: All right. Now, let us ask this question: As the patent does not relate to the machine, or to the tools, rather, by which they are made, wherein does the need for [16] the demonstration arise?

Mr. Lewis E. Lyon: The need for it arises, your Honor, from the fact that through observation of the machine and its operation, you can observe the



carrying out, and demonstrating the machine proves the carrying out of the method of claim 1 of the patent in suit, Exhibit 1.

The Court: This is not a process patent.

Mr. Lewis E. Lyon: Yes, claim 1 is a process patent, your Honor.

The Court: It is a method patent, not a process patent.

Mr. Lewis E. Lyon: A process or method patent. One is the same as the other.

The Court: So long as you are going back in our own literature, let's get back to some of the cases. Let's take the Joyce Shoe cases,——

Mr. Lewis E. Lyon: Yes, your Honor.

The Court: ——of which I had several. Now, that was a method patent.

Mr. Lewis E. Lyon: That is right.

The Court: I held that the claims there were limited to a type of a platform shoe, because platform shoes were old in the art,——

Mr. Lewis E. Lyon: Yes, your Honor.

The Court: ——going back to the Chinese, hundreds of years. The problem before the court in those two cases [17] was whether a different kind of platform shoe, where height was secured in a different manner, infringed. I held that it didn't infringe.

Mr. Lewis E. Lyon: Of course, that was an article patent, your Honor, an article patent that dealt with the shoe.

The Court: But the method was of encasing the sole. Joyce wanted, of course, to extend the scope

of the patent, and he claimed all platform shoes. I held that all he had was a method to secure additional height by encasing a sole in one piece, and that anyone who achieved that by adding three pieces to a heel, securing the same results, did not violate the patent.

How could the method of manufacture bear upon the matter? It is the end, the result, that is patented. The manner in which they make them is not material. Supposing they did it by hand?

Mr. Lewis E. Lyon: That might very well be done. But, however, the way that they are doing it is by machine, and as I pointed out to your Honor before, the patent in suit deals with a method of tying these two cans together.

The Court: Not in the process of manufacture. It is the way they result, that they have tied them.

Mr. Lewis E. Lyon: No, your Honor. It is the steps of actually tying the two cans together.

The Court: "The method of securing two cans together, [18] said cans having beaded ends protruding beyond their side walls, comprising" and so forth.

Mr. Lewis E. Lyon: Yes.

The Court: ——"aligning said cans in end-to-end relationship."

Mr. Lewis E. Lyon: Yes, "aligning said cans in end-to-end relationship."

The Court: The way to determine it is by just looking at them and seeing them,——

Mr. Lewis E. Lyon: No.

The Court: ———whether they are tied together,

not the way they put them together on the machine.

Mr. Lewis E. Lyon: No, your Honor. This patent is to the physical steps of performing this tying together operation, and, certainly, it is our position that you can see that the end result is the same, but it is the proof of the carrying out of the particular steps of the method which constitutes the infringement.

The Court: Just a minute.

Mr. Lewis E. Lyon: As I told your Honor, the material part of that is using a stretchable tape, and putting that tape under tension, so that that tape stretches as it is applied, and the cans are rolled, so it will adhere around the beads and to the side walls of the can, so that you get a secure product. [19]

Now, you can tell from the product, certainly, that the tape is applied under tension, when you get a certain type of result, but you cannot determine, without viewing the machine and the operation, as to whether or not the steps of rolling the cans, the steps of applying tension to them during rolling, and the steps——

The Court: Rolling is what you call in the claim rotating?

Mr. Lewis E. Lyon: Rotating, yes; rotating the cans, and that is done in the machine. [20]

\* \* \* \* \*

### JENO FRANCISCO PAULUCCI

called as a witness on behalf of the plaintiffs, having been first duly sworn, was examined and testified as follows:

(Testimony of Jeno Francisco Paulucci.)

The Clerk: What is your full name?

The Witness: Jeno Francisco Paulucci.

The Clerk: How do you spell your first name?

The Witness: J-e-n-o.

The Clerk: And F-r-a-n-c-i-s-c-o? [23]

The Witness: Yes.

The Clerk: And the last name is?

The Witness: P-a-u-l-u-c-c-i.

#### Direct Examination

Q. (By Mr. Lewis E. Lyon): What is your residence, Mr. Paulucci?

A. 6 Minneapolis Avenue, Duluth, Minnesota.

Q. What is your occupation?

A. I am president of Chun King Sales, Incorporated.

Q. When was that Chun King Sales, Incorporated, organized?      A. In May of 1947.

Q. And what business is the Chun King Sales, Incorporated, engaged in?

A. The processing, packing, and selling of oriental American foods.

Q. How long have they been engaged in that business?

A. Since incorporation, May, 1947.

Q. What particular products do they put out,—do you put out?

A. Well, it is quite an assortment of canned and also frozen American oriental foods under the Frozen Food Corporation.

(Testimony of Jeno Francisco Paulucci.)

Q. Does that include chicken chow mein, mushroom chow [24] mein, beef chop suey?

A. It does.

Q. How long have you been putting out those products?

A. Are you referring to those specific products there?

Q. No, I am referring to products of that type.

A. Since approximately—the chicken chow mein we started packing in June of 1947. The mushroom chow mein, that was the divider pack, in June of 1954; and the beef chop suey was approximately in January of 1948, I believe.

Q. You referred to the divider pack. What do you mean by that?

A. The divider pack is the products that we first started in selling in January of 1954, which we call our Cantonese line, because the divider pack that we refer to is cooking the vegetables separately from the sauce and the meat, and then taping the can of sauce and meat, if it is a meat or chicken product, onto the can of vegetables, similar to what you have there in front of you.

Q. Just so that the record may illustrate your testimony better, I hand you a can and ask you if this is what you refer to as a divider pack?

A. It is.

Q. And you state now that this divider pack is formed of what,—two cans?

A. Yes, sir. [25]

Q. You stated that the vegetables and the sauce

(Testimony of Jeno Francisco Paulucci.)

were separated. Now, with that can in front of you, and referring to the top and the bottom can, will you just make the record more clear on that?

A. The bottom can contains the vegetables, such as bean sprouts, celery, mushrooms, onions, bamboo shoots, water chestnuts, pimientos, with water. That is in the bottom can. That is cooked separately, requiring only a few minutes.

Q. And the can is sealed after that?

A. The vegetables are mixed together, they are slightly blanched, and put into the can, it is filled with water, it is sealed. It is cooked in our retorts, and it is then cooled, and then labeled.

The top can, and in this instance the beef chop suey, which is the sauce and the meat, is cooked separately. The sauce and meat is allowed to simmer for a long time in order to get the true flavor. It is then filled into the can, it is sealed, it is retorted, it is cooled, it is labeled.

Then the two cans are taped together, so that it is one unit, so to speak.

Q. And sold as a unit?

A. And sold as a unit, yes, sir.

Mr. Lewis E. Lyon: To illustrate the witness' testimony, I will ask that this particular can be marked Exhibit 3, and [26] be received in evidence in that manner.

The Court: It may be received.

(The can referred to was marked Plaintiffs' Exhibit 3 in evidence.)

(Testimony of Jeno Francisco Paulucci.)

The Court: Is that filled with the product, or is it merely a sample?

The Clerk: It is filled with the product.

Mr. Lewis E. Lyon: I would like to ask that that be marked Exhibit 3-A, instead of 3.

The Clerk: Why the "A," Mr. Lyon?

Mr. Lewis E. Lyon: Because, for the purpose of comparison, at a later time I will offer the corresponding can of the defendant, which I have here in my hand, as Exhibit 3-B.

The Court: Let's mark that 3, and the 3-A later.

Mr. Lewis E. Lyon: All right, we will mark it 3.

The Court: Yes, and then later the other one 3-A, because otherwise in the record they will be looking for 3.

The Clerk: A can of Chun King brand beef chop suey, a divider pack, is marked for identification and admitted in evidence as Plaintiffs' Exhibit No. 3.

Q. (By Mr. Lewis E. Lyon): You stated in your previous answer that the cans were taped together. When did you first endeavor, or when did you first tape cans together, Mr. Paulucci? [27]

A. Approximately May of 1949.

Q. What was your method of taping at that time?

A. We would take the tape and loosen it from the dispenser and roll the cans into the tape, and then tack the end on to the other end of the circumference of the bead.

(Testimony of Jeno Francisco Paulucci.)

Q. You are the patentee, the inventor of the patent in suit, Exhibit 1, are you not?

A. I am.

Q. Now, when did you conceive of the method defined in that patent?

A. Around June or July of 1951.

Q. How do you fix that date?

A. Well, because it was—there were two dates—I mean, two reasons why I can fix that date. One is that it was while we were moving the plant from Lake Avenue to 200 North 50th Avenue West, and the other one was because of the fact that we had to terminate soldering the cans of rice alongside the can of chop suey because of numerous complaints and returns.

Q. All right. Now, you say you conceived the method of the patent in suit during the time that you were moving. Did that method differ from the method you state that you had been using in 1949?

A. Yes, sir.

Q. Did you encounter any problems with the method that [28] you were using in 1949?

A. Yes, sir.

Q. What were those problems?

A. The cans would come apart, the tape would ruffle. That's about it.

Q. What did you do in endeavoring to keep the product on the market with that first hand method?

A. Well, we would—those that would come apart in the plant prior to shipping, that we knew, we would try to retape. Those that came apart on



(Testimony of Jeno Francisco Paulucci.)

the shelves or in transit in the cases from Duluth to the various places we were shipping them to, we would have our brokers and our salesmen—we had a few salesmen. In fact, at that time I think we only had one or two, but later on we had a few more, and we would send them tape, the brokers or the salesmen, and a lot of times they would take three different colors of tape, and they would go into the retail store and retape the cans on the shelves which had come apart, or if a grocer or wholesalers or someone had complained, he would go into their warehouse stock and see if any were apart. But that was the exception to the rule. It was mostly in the stores. [29]

\* \* \* \* \*

Q. Then you went to the method that you say you conceived in July of 1951,—June or July of 1951; is that correct?      A. That is correct.

Q. Now, after you conceived that, namely, in June or July of 1951, what did you do? Did you put it into use at all?      A. Yes, sir.

Q. And when?

A. Well, it was after we moved into the new plant.

Q. When did you move into the new plant?

A. We started moving in July and into August, so it would be the latter part of August of 1951, approximately, that we started.

Q. When were you in production in your new plant?

(Testimony of Jeno Francisco Paulucci.)

A. Either the latter part of August, '51, or the early part of September of '51.

Q. Now, immediately on going into production in the new plant, did you put this new method into operation?      A. Yes, sir.

Q. Will you describe to the court how this new method [31] differed from the old method?

A. Yes, sir. Instead of taking the tape and tabbing it on to the bead of the can, and then loosening the tape and rotating it, or, I should say, rolling the can into the tape and then tabbing it, instead we took the tape and just took out enough into a trough,—we took the cans and put the cans into a trough and took out enough of the tape and tabbed it on to the cans, and rotated the cans so that it created a tension on the tape, so that the tape would stretch and go over the contours of the bead, and on to the side walls of the can, and in such a way that it would make practically a weld of the two cans.

Q. Taking Exhibit 3, will you point out to the court what you mean by practically making a weld of the two cans together?

A. Well, by pulling the tape,—

The Court: Go ahead. Just repeat it, and it is up to the young lady there. I can see what you are doing.

The Witness: (Continuing) —and then by tabbing it on here, and then by pulling this slowly so that it stretches the tape, it goes over the contour of the beads—here are the beads—and on to the

(Testimony of Jeno Francisco Paulucci.)

side walls of the cans, all around here (indicating), so that when it is completed and you tab off, as they have done here, the end, you have practically a weld, so that no matter if the beads are greasy, no matter if [32] the cans are heavy, it will not pull apart, and if it does, it would be just one in a million, I would say.

The Court: In other words, it overcomes the flaw resulting from the difference in the pull——

The Witness: That is correct.

The Court: ——caused by different weights, under the law of mechanics, is that correct? I mean, the difficulty you had before was because of the difference in the weight of the two cans, and that is why you said they didn't keep together?

The Witness: Not only that, but——

The Court: But the greasiness?

The Witness: ——but the grease on the beads, as well as the weight.

The Court: I see. All right.

Q. (By Mr. Lewis E. Lyon): Is it necessary now in your business of the sale and distribution of this divider pack, utilizing this new method, to supply your sales representatives with the tape and go out and tape the cans back together again in the markets? A. No, sir.

Q. You brought out the so-called divider pack first in what size or style of can, Mr. Paulucci?

A. Only in one style of can.

Q. Which was that? [33]

A. By the divider pack, Mr. Lyon, you are re-

(Testimony of Jenio Francisco Paulucci.)

ferring to the sauce and vegetables separate, are you not?

Q. Well, that is what you referred to?

A. Yes, sir.

Q. Maybe I should not have used the word "divider," and maybe I should have used the term of where you connected your noodles to your chow mein in the two cans; is that correct?

A. Yes, that is what we would refer to as a 2-can pack, or a 2-in-1 pack.

Q. As a 2-can pack or a 2-in-1 pack. Now, did the 2-in-1 pack precede the divider pack?

A. Yes, sir.

Q. When did you bring out the 2-in-1 pack?

A. The pack of noodles over the can of chow mein or chop suey was brought out in May of 1949.

Q. In May of 1949. Now, you have used a term, and we ought perhaps to get it straightened out in the record. You said "chop suey or chow mein." What determines whether it is chop suey or chow mein?

A. Well, chow mein, as I understand it, is the melange or stew of product which is served over noodles. The chop suey is a melange or stew of product which is served either with rice or over rice.

Q. So that the only difference is which you put it over, [34] whether it is rice or noodles, as to whether it is chop suey or chow mein; is that correct?

A. To my knowledge, yes, sir.

Q. Now, you brought out this chow mein, I mean

(Testimony of Jeno Francisco Paulucci.)

this 2-in-1 pack, in 1949. When did you adopt the form of advertising illustrated by Exhibit 2, and by that form of advertising, Mr. Paulucci, I am referring to the little cartoon figures which are shown in that advertisement.

Mr. Harris: That is objected to, if the court please, as no foundation laid of any kind.

The Clerk: That is Plaintiff's Exhibit No. 2.

The Court: He is asking for the foundation. He asked him when he adopted it. Then he will come to the use of it. Overruled.

The Witness: I believe it was around August or September of—just wait. I get my years mixed a little bit—August or September, of 1953.

Q. (By Mr. Lewis E. Lyon): What did you do after you adopted that particular method of advertising? Did you put it in use?

A. Yes, we incorporated it in all—I wouldn't say all, but the majority of our national advertising, wherever it was in print. I don't mean TV, of course, but on the print. Anything that went into magazines or newspapers, and then we incorporated it on our labels for the new divider pack, [35] for which the art work was being made around November of 1953.

Q. Now, you have had before you, and we have referred to Exhibit 2, for identification. What is Exhibit 2, for identification?

A. It is a copy of the Life ad that we ran in November of '53.

Q. Was that the November 2, 1953 issue?

(Testimony of Jeno Francisco Paulucci.)

A. I believe it was November 2, 1953, yes, sir.

Mr. Lewis E. Lyon: I will offer in evidence at this time Exhibit 2, for identification, as Exhibit 2, and ask that it be so marked.

The Court: It may be received.

(The document heretofore marked Plaintiffs' Exhibit 2 was received in evidence.)

Q. (By Mr. Lewis E. Lyon): Now, Exhibit 2 contains on the left-hand side a panel. Will you define the function of that panel, that little panel of cartoon characters?

A. Mr. Lyon, the reasoning behind it, first, was that our products, our Chun King products, sort of fit many various uses other than—well, beef stew, you serve maybe for lunch or dinner, whereas chow mein we feel is a sort of a dish that can be served with a certain amount of glamour at practically any time.

So that we felt we could broaden the over-all acceptance [36] of our products by the homemaker if we could in our advertising, as well as on our labels, show her the various different uses, and not just for dinner or lunch. So that is why we started out this showing of the various cartoons, showing her that she could serve it with a party or a lunch.

Well, this little jingle that we have here describes it:

“It’s a dinner, a brunch

“A party, a lunch

“A banquet at seven

“A bite at eleven

(Testimony of Jeno Francisco Paulucci.)

“A bridge table treat

“A snack you can’t beat.

“A sparkling buffet

“A great TV tray

“Chow mein by Chun King

“Mm-m good, ‘just the thing.’”

In other words, we were saying that Chun King was just the thing for any occasion you could practically name, and, therefore, we thought we could broaden the over-all acceptance of our products through this media of advertising, on our advertising, plus showing it on our labels, as long as our products were of a quality, and that it would result in repeat business and that we would see the broadening of our over-all business. [37]

Q. Now, did you actually adopt that method of showing the manner of use of your product on your cans, on the labels that were applied to your cans?

A. Yes, sir, we did it on the divider pack which you are showing me here now.

Q. When did you first do that?

A. The art work was in process approximately in November of 1953. We started selling the products in January of 1954.

Q. With the label as illustrated by Exhibit 3; is that correct?           A. That is correct.

Q. What acceptance has that label had?

Mr. Harris: That is objected to as calling for a conclusion of the witness, and no foundation laid.

Mr. Lewis E. Lyon: I think, as president of the corporation, he has the best knowledge.

(Testimony of Jeno Francisco Paulucci.)

The Court: I think the question is a little too broad.

Mr. Lewis E. Lyon: All right. I will ask him first:

Q. Do you know what acceptance that label has had?      A. Yes, sir.

The Court: Unless he actually calls on the trade, he can tell by volume of business whether his business increased or not, or whether he has heard from customers as to what the label has done, or something like that, but a broad question [38] like that might bring in almost anything.

Q. (By Mr. Lewis E. Lyon): To what end of the business do you particularly devote your time, Mr. Paulucci, to sales or production?

A. Sales, and administration.

Q. Has this label, this type of merchandising that you have developed here, received any particular recognition? And by that I mean this particular label. Just answer "Yes" or "No."

A. Yes.

Mr. Harris: That is objected to, if the court please, as to what counsel means by recognition. It is wholly indefinite, and calls for a conclusion anyway.

The Court: I think it is permissible to show acceptance and recognition in the trade, but not by means of a conclusion. Unless the man is on the road, all he can tell is whether his business has increased, or there is a greater demand for cans. He is an office man.



(Testimony of Jeno Francisco Paulucci.)

Mr. Lewis E. Lyon: Your Honor, this particular can, it so happens—I don't like to lead or instruct, but this particular label has received national recognition from a national organization, and it is not the trade acceptance alone that I am after. So I am asking him one question: Has it received national recognition?

The Court: If you are trying to show that it has been [39] given a medal, or praised, or something like that, then, of course, I will allow the question, but as it is, we could not tell. That is why, gentlemen, I say sometimes that a leading question is in itself not objectionable, if its object is merely to point to the witness what you are seeking.

Now, in that particular case if what you mean by "recognition" is like receiving an award, or something like that, then I will allow it to be asked, if it is to be followed by a specific instance.

Mr. Lewis E. Lyon: Yes, your Honor, I was going to follow it by a specific instance.

The Court: All right. Go ahead.

Q. (By Mr. Lewis E. Lyon): Your answer was? A. I don't remember the question.

The Court: Read the question.

Q. (By Mr. Lewis E. Lyon): The question was: Has this label received particular recognition?

A. Yes, sir.

Q. How?

A. In one periodical in particular, "The Modern Packaging," I think it is called, and by other trade papers.

(Testimony of Jeno Francisco Paulucci.)

Mr. Harris: If the court please, that is not the best evidence. These trade papers he is referring to would be the best evidence of these facts.

The Court: Of course, this merely identifies it. After [40] that the trade papers themselves would be the best evidence of what the recognition was.

Mr. Lewis E. Lyon: Certainly.

The Court: If it is an award, then you have to have some official action of the award.

Mr. Lewis E. Lyon: I have gotten a little ahead of myself.

The Court: All right.

Mr. Lewis E. Lyon: I will come back to that.

The Court: All right. Then don't leave the question up in the air. You are withdrawing the question?

Mr. Lewis E. Lyon: There is no question before the witness. He said, "Yes, it has."

The Court: All right. Then we will leave it there. Then we won't follow it up.

Mr. Schroeder: I believe I have it, your Honor.

The Court: All right.

Q. (By Mr. Lewis E. Lyon): I hand you, Mr. Paulucci, a scrapbook, which includes an issue of "Modern Packaging," and I will ask you if you can identify both the scrapbook and the magazine referred to, "Modern Packaging"?

A. Yes.

Mr. Lewis E. Lyon: I will ask that the scrapbook just identified by the witness be marked as Exhibit 4, for identification, and also, that the pub-

(Testimony of Jeno Francisco Paulucci.)

lication "Modern [41] Packaging" appearing in that scrapbook be marked as Exhibit 5, for identification.

The Court: All right.

(The documents referred to were marked Plaintiffs' Exhibit No. 4 and Plaintiffs' Exhibit No. 5, respectively, for identification.)

Q. (By Mr. Lewis E. Lyon): You say you can identify this Exhibit 4. What is this Exhibit 4 that I have referred to as a scrapbook, Mr. Paulucci?

Mr. Harris: Excuse me. Is the whole scrapbook marked?

The Court: It is marked for identification, and then as we take individual things—this is our system, Mr. Harris, and you have tried cases here before so that you know when we have a large document, for instance, sometimes you have offered prior art in one book, and we have marked it for identification, and then as we take different things from it, we give them separate numbers. That is the method we follow. So the entire scrapbook is given a number for identification, and as we draw things from it, we give them numbers. So then we now call this No. 5, and we know they all come from Exhibit 4.

Q. (By Mr. Lewis E. Lyon): The question before you is: What is this Exhibit 4?

A. This is one of our scrapbooks.

Q. What do you mean by "one of our scrapbooks"?

A. Well, we have kept a scrapbook from the

(Testimony of Jeno Francisco Paulucci.)

time we [42] started our business on various events we think worth keeping a record of.

Q. Are they publicity releases, or what? What is contained in such a scrapbook?

A. Oh, publicity releases, news articles, photographs, and anything that shows the progress and growth of our company in a pictorial sense and in a worded sense.

Q. Who keeps this scrapbook?

A. My secretary does.

Q. Under your supervision? A. Yes, sir.

Q. Is it kept periodically, or continuously?

A. Yes, sir.

Q. This particular scrapbook, Exhibit 4, covers what period of time?

A. From 1954 through 1955.

Q. Now, on one of the pages of this book I find Exhibit 5, which is the periodical "Modern Packaging." Are you acquainted with that periodical?

A. Yes, I am.

Q. That periodical deals with what industry, if you know?

A. Well, the packaging industry, actually.

Q. Is that a magazine of national circulation, to your knowledge? [43] A. Yes, sir.

Q. Did you receive this copy, Exhibit 5, at the time it was published? A. Yes, sir.

Q. Where? Where did you receive it?

A. In Duluth, in my office.

Q. Now, this magazine was published, according to its date, in October, 1955. Do you have any

(Testimony of Jeno Francisco Paulucci.)

recollection as to whether that date is correct or not?      A. Yes, that is correct.

Q. Where did the data which is included in this article originate, do you know?

A. Yes, from information that was asked from us from Duluth, as well as our representative in New York on public relations.

Q. Now, I notice a label on page 131 of Exhibit 5. Whose label is that?

A. That is one of our Chun King divider pack labels.

Q. Who supplied that label?

A. We did, at their request.

Q. You mean you supplied them samples of your labels to be included in their publication?

A. That is correct.

Q. And who actually pasted the label in the publication?      A. They did. [44]

Mr. Lewis E. Lyon: As long as this label has been referred to in this particular publication, and identified, I will ask that it be marked Exhibit 5-A, as a part of Exhibit 5.

The Clerk: A label contained on page 131 of Plaintiffs' Exhibit No. 5 is marked as Plaintiffs' Exhibit 5-A, for identification.

(The document referred to was marked Plaintiffs' Exhibit 5-A, for identification.) [45]

\* \* \* \* \*

The Clerk: You ruled that these were admitted in evidence, [46] your Honor, 5 and 5-A?

(Testimony of Jeno Francisco Paulucci.)

The Court: Yes, they may be received in evidence; just the particular publications.

Mr. Harris: Just the particular publications are all that have been received?

The Court: Yes, that is right.

The Clerk: 5 and 5-A admitted in evidence.

(The documents heretofore marked Plaintiffs' Exhibits 5 and 5-A were received in evidence.) [47]

\* \* \* \* \*

Q. (By Mr. Lewis E. Lyon): Start in with Exhibit 6 that you have in your hand.

A. Exhibit 6 is a can, a three-pound can of beef chop suey, which is the melange or stew, as we call it, all cooked together, gravy and vegetables and sauce and meat all in one can.

Exhibit 7 is the Chun King three-pound can of chicken chow mein without noodles, which, again, is a melange or stew of vegetables, sauce, and in this instance, chicken, all cooked together.

Exhibit 8 is a Chun King three-pound can of meatless chow mein without noodles, which, again, is the melange or stew of vegetables and sauce, all cooked together.

Q. Now, what is the characteristic background coloring of Exhibit 7?

A. Exhibit 7, the background coloring—

Q. 6, I mean. Pardon me.

A. Excuse me. Exhibit 6 is a red background.

Q. All right.

Exhibit 7 is what?

(Testimony of Jeno Francisco Paulucci.)

A. Exhibit 7 is a yellow background.

Q. And what is Exhibit 8?

A. Exhibit 8 is a white background.

Mr. Lewis E. Lyon: Now, immediately below those cans, [49] as they were stacked, there are three cans, which I will draw your attention to now, which are marked Jan-U-Wine, and which I will ask be marked Exhibits 6-A, 7-A, and 8-A, respectively.

The Clerk: So marked.

(The items referred to were marked Plaintiffs' Exhibits 6-A, 7-A and 8-A, respectively, for identification.)

Mr. Lewis E. Lyon: I will point out at this time that the one I am asking be marked Exhibit 6-A is Exhibit 5 to the deposition of Mr. Hyun, taken on November 10, 1955, and was at that deposition identified as a defendant's product.

Exhibit 7-A is Exhibit 6 to the Hyun deposition of November 10, 1955.

Exhibit 8-A was not identified at that deposition.

The Court: Does it show by the printing? It is too far from me to see if it is a product of the defendant.

Mr. Lewis E. Lyon: Yes, it has Jan-U-Wine on it.

The Court: Then I think counsel will not dispute it.

Mr. Harris: I don't know. I have not seen it before. I will be glad to show it to my client.

The Court: Show it to him.

(Testimony of Jeno Francisco Paulucci.)

Mr. Lewis E. Lyon: That is Exhibit 8-A, for identification.

I might correspondingly ask for a stipulation with respect to Exhibits 6-A and 7-A. They were identified in the deposition, but I don't know that we will use the deposition. [50]

Mr. Harris: We will be glad to stipulate that this Exhibit 8-A, for identification, bears a label of the defendant. What is in the can we don't know.

The Court: Not that it bears a label. That stipulation does not go far enough. Is it a can of the type that is put out by the defendant? That is the question.

Mr. Harris: The defendant has sold cans of this size, with that type label on it, yes, sir.

The Court: I see. All right.

Mr. Harris: Now, what else does counsel want?

Mr. Lewis E. Lyon: Also as to 6-A and 7-A.

The Court: A similar stipulation.

Mr. Harris: The same stipulation as to Exhibits 6-A and 7-A.

The Court: All right. [51]

\* \* \* \* \*

The Clerk: Plaintiffs' Exhibits 6, 7 and 8, and 6-A, 7-A and 8-A are admitted in evidence.

(The items referred to were marked Plaintiffs' Exhibits 6, 7 and 8, 6-A, 7-A and 8-A, respectively, and were received in evidence.)

Mr. Lewis E. Lyon: I will ask the defendant if he will stipulate that these three cans are also the product of the defendant.



(Testimony of Jeno Francisco Paulucci.)

Mr. Harris: No, sir, we shall not, because we can't tell who taped those cans together, or how many times they have been taped together. We can't stipulate anything about those cans.

Mr. Lewis E. Lyon: I am not worried about the taping thereon. Are those your labels?

Mr. Harris: If you so find. I don't know.

The Court: This is a good stopping point, gentlemen. [53] It is after 12:00 o'clock, and you have gotten a start. It may well be that after consulting your client you may be willing to stipulate. If you are going to offer any more——

Mr. Lewis E. Lyon: Yes, I will ask these three cans—if I may interrupt—that I asked for identification on be marked for identification.

The Court: They will be marked as the next three numbers.

The Clerk: That will be 9——

The Court: Give them an identification for the record, Mr. Lyon.

Mr. Lewis E. Lyon: The cans I am handing him are Exhibits 9-A, 3-A and 10-A, respectively.

The Court: All right. Then we will take our noon recess. [54]

\* \* \* \* \*

Mr. Lewis E. Lyon: Your Honor, for the purpose of completing the record at the point that we left it as to these exhibits, 9-A, 10-A and 3-A, for identification, which are marked with the Jan-U-Wine name, and as to which I requested a stipulation of the defendant's counsel, I will ask: Are

(Testimony of Jeno Francisco Paulucci.)

you willing to stipulate those are your products?

Mr. Harris: We are willing to stipulate that the defendant has sold products in cans that size, with similar labels on them. I don't know that those particular cans are the product of the defendant.

The Court: All right. In the light of the presumption, under the law of the State of California, which applies, that there is always a presumption in favor of fair dealing, as to which the Supreme Court of California in a famous case, which has an odd name, the *Onderdonk* case, held was so strong that it compared with the presumption of innocence, in view of counsel's admission, I think it may be taken that they are their cans. Otherwise, somebody is parading under a different [56] name. So I will accept the stipulation, so far as it goes, and I will draw from it the inference unless counsel wants to contradict it later on.

Mr. Lewis E. Lyon: Thank you, your Honor. I will offer, therefore, at this time in evidence the cans heretofore marked Exhibit 9, Exhibit 9-A, Exhibit 10, Exhibit 10-A and Exhibit 3-A, all of which have heretofore been marked for identification under those respective designations.

Mr. Harris: If the court please, that is objected to on the ground that no foundation has been laid, because my information is that cans of this type have been sold by the defendant only subsequent to the filing of this action.

The Court: That does not make any difference. This is an equity action, where injunctive relief is

(Testimony of Jeno Francisco Paulucci.)

asked, and, therefore, under the new rules of procedure, which have the force of law, evidence may be received up to and including the date of the decree, and, under the new rules, which, of course, are not any different from what the rules were in equity, the court may receive testimony, and then, if necessary, order the complaint amended, and other supplemental pleadings are even unnecessary. That was always the rule in equity, and is now the rule everywhere. The objection is overruled.

(The items heretofore marked Plaintiffs' Exhibits 9, 9-A, 10, 10-A and 3-A, were received in evidence.) [57]

\* \* \* \* \*

Mr. Lewis E. Lyon: Now, I have two more cans here of the defendant's product, and I will ask: Are you willing to stipulate that these cans——

Mr. Harris: The same stipulation, if the court please, and the same objection.

The Court: The objection is overruled. They may be received.

Mr. Lewis E. Lyon: I will ask that these two cans be marked. Exhibit 11 will be the chow mein-noodles and the mushroom chow mein double pack, and Exhibit 12 will be the combination of the chow mein-noodles and the beef chop suey.

Mr. Harris: The same stipulation on these two cans.

The Court All right.

Mr. Harris: No objection on these two.

The Court: All right. They may be received.

(Testimony of Jeno Francisco Paulucci.)

The Clerk: Plaintiffs' Exhibits 11 and 12 identified only, or admitted in evidence, Mr. Lyon?

Mr. Lewis E. Lyon: Offered in evidence and received.

The Clerk: Received in evidence. [59]

(The items referred to were marked Plaintiffs' Exhibits 11 and 12, and received in evidence.)

Mr. Lewis E. Lyon: Exhibit 13 is a dual pack of a one cent sale of chow mein-noodles and chicken chop suey.

The Clerk: Exhibit 13, combination dual pack of chow mein-noodles and chicken chop suey.

Mr. Lewis E. Lyon: Offered and received.

The Court: May be received.

(The item referred to was marked Plaintiffs' Exhibit 13, and received in evidence.)

Mr. Lewis E. Lyon: Exhibit 14 is the double pack of the one cent sale chow mein-noodles and beef chop suey, which is offered and received in evidence.

The Court: It may be received.

The Clerk: That is Plaintiffs' Exhibit No. 14.

(The item referred to was marked Plaintiffs' Exhibit 14, and received in evidence.)

Mr. Harris: May the record show, if the court please, that the defendant has produced the machine, in accordance with the plaintiffs' subpoena.

The Court: All right.

Mr. Harris: It is here in court.

The Court: Mr. Lyon wanted at this time, in

(Testimony of Jeno Francisco Paulucci.)

order to complete the record at this place, to proceed, as I understood him,— [60]

Mr. Lewis E. Lyon: That is correct.

The Court: And then as soon as he has reached a stopping point, why, we will go on to that.

Mr. Harris: Yes, your Honor.

Mr. Lewis E. Lyon: Exhibit 15 is the double pack one cent sale of chow mein-noodles and vegetable chop suey of the defendant's, which is offered in evidence as Exhibit 15.

The Clerk: This is admitted in evidence, your Honor?

The Court: It may be received.

The Clerk: 15 in evidence.

(The item referred to was marked Plaintiffs' Exhibit 15, and received in evidence.)

Q. (By Mr. Lewis E. Lyon): I hand you, Mr. Paulucci, just to complete this phase two cans—wait a minute. I guess this one does not go with it—of product. Isn't there a third one of that same type? A. Yes, sir.

Q. I will put the six of them in front of you that I have, and will you see if it is in these six? I think there is a mistake here. Now, there should be another one. Just to complete this portion of the record, I will ask you if you can identify these five cans that have been placed before you?

A. Yes, sir.

Q. The five double cans? [61] A. Yes, sir.

Q. What are they, will you state?

A. Individually?

(Testimony of Jeno Francisco Paulucci.)

Q. Yes.

A. The one which is called the chow mein-noodles 2-in-1 offer, over the can of beef chop suey, is one of our most recent packs.

Q. When was that put out?

A. This was put out in 1955.

Q. What time?

A. I would say about—we first started packing them I think around April or May, 1955.

Mr. Lewis E. Lyon: I will ask this can be received in evidence as Plaintiffs' Exhibit next in order.

The Clerk: The next number coming up, Mr. Lyon, is No. 16.

The Court: It may be received.

The Clerk: 16 admitted in evidence.

(The item referred to was marked Plaintiffs' Exhibit 16, and received in evidence.)

Q. (By Mr. Lewis E. Lyon): Now, proceed with the next double can.

A. This, also, is one of my more recent packs of chow mein-noodles with the 2-in-1 combination offer, taped on to a can of meatless chow mein, which got on to the market, I [62] would say, around April or May of 1955.

Mr. Lewis E. Lyon: I would ask that this double pack be marked in evidence as Exhibit 17.

The Court: It may be received.

The Clerk: Exhibit 17 received in evidence on the order of the court is chow mein-noodles and meatless chow mein, a dual pack.

(Testimony of Jeno Francisco Paulucci.)

(The item referred to was marked Plaintiffs' Exhibit 17, and received in evidence.)

Q. (By Mr. Lewis E. Lyon): Is there a third of that same series? A. Yes, there is a third.

Q. Which one is missing?

A. Actually, there are two missing.

Q. Which are they?

A. The one which is the chow mein-noodles 2-in-1 combination offer, taped on to a can of sub-gum chicken-mushroom chow mein, which also got on to the market, I believe, around April or May of 1955.

Then there is a fourth one, which is a can of rice in a 2-in-1 offer, which is taped on to a can of beef chop suey, which also got on to the market approximately April or May of 1955.

Q. All right. Now, there are three other cans in front of you here. Can you identify these cans?

A. Yes. [63]

Q. One at a time.

A. The one here is the older label of chow mein-noodles 2-in-1 offer, which is taped on to a can of meatless chow mein, and I believe that with this 2-in-1 offer, this was entered on the market in the Fall or Winter of—may I refer to some notes?

Q. Certainly, at any time, as long as you exhibit the notes to counsel, if they desire to see them.

A. In late '52, 1952.

Q. All right. And this particular can that you had in your hand was the combination of the chow

(Testimony of Jeno Francisco Paulucci.)

mein-noodles with the meatless chow mein; is that correct?      A. Yes.

Mr. Lewis E. Lyon: I will ask that be marked and received in evidence as Plaintiffs' Exhibit 18.

The Clerk: Chow mein-noodles, dual pack combined with meatless chow mein, Plaintiffs' Exhibit No. 18, identified and admitted in evidence.

(The item referred to was marked Plaintiffs' Exhibit 18, and received in evidence.)

Q. (By Mr. Lewis E. Lyon): Now, take the next one.

A. The next one is a can of chow mein-noodles, with the 2-in-1 combination offer, which is taped on to a can of our Chun King subgum chicken-mushroom chow mein, and this, too, was released on the market in the latter part of 1952.

Mr. Lewis E. Lyon: I will ask this dual pack, just [64] identified by the witness, be received in evidence as Exhibit 19.

The Court: It may be received.

The Clerk: Dual pack chow mein-noodles and subgum chicken-mushroom chow mein, admitted in evidence and identified as Exhibit 19.

(The item referred to was marked Plaintiffs' Exhibit 19, and received in evidence.)

Q. (By Mr. Lewis E. Lyon): Take the next dual cans.

A. This is a can of rice with our 2-in-1 combination offer, which is attached to a can of Chun King beef chop suey, and this, too, was released on the market in the latter part of 1952.



Mr. Lewis E. Lyon: I will ask that this dual pack, just identified by the witness, be marked and received in evidence as Exhibit 20.

The Court: It may be received.

The Clerk: 20 in evidence.

(The item referred to was marked Plaintiffs' Exhibit 20, and received in evidence.) [65]

\* \* \* \* \*

Mr. Lewis E. Lyon: I will call Mr. Kesterson, please.

Your Honor, for the purpose of the record, with respect to this machine it is not plaintiffs' desire to keep this machine in court any longer than necessary. I would like to have the machine identified, and its construction and operation established, and for the purpose of the record, I would like to have an order of the court permitting photographs of the machine to be taken and to be substituted in lieu of the original, so that the record will be complete as to the machine which is now in court.

Mr. Harris: No objection.

The Court: All right. That may be done.

### JOHN W. KESTERSON

called as a witness by the plaintiffs under the provisions of Section 43(b) of the Federal Rules of Civil Procedure, and having been first duly sworn, was examined and testified as follows:

The Clerk: What is your full name?

The Witness: John W. Kesterson.

The Clerk: Will you spell your last name?

The Witness: K-e-s-t-e-r-s-o-n.

(Testimony of John W. Kesterson.)

Direct Examination

Q. (By Mr. Lewis E. Lyon): What is your occupation, Mr. Kesterson? [66]

A. Plant manager of Oriental Foods, Inc.

Q. I can't hear you.

A. I said plant manager of Oriental Foods, Inc.

\* \* \* \* \*

Q. (By Mr. Lewis E. Lyon): How long have you been employed by the defendant?

A. Approximately ten years.

Q. Beginning when? [67]

A. I can't recall the exact date, but it was around the first of the year in 1946.

Q. Have you always occupied the position of plant manager? A. No, sir, I have not.

Q. What position did you have before you became plant manager? A. Before?

Q. Yes. A. I was assistant plant manager.

Q. And how long did you occupy that position?

A. I would say, roughly, three years.

Q. Was that all within the period of 1942 to date? A. 1946 to date.

Q. 1946 to date, Pardon me. Before 1946 were you employed by the defendant?

A. I was not.

Q. As assistant plant manager, what were your duties?

A. To assist the plant manager in carrying out his duties.

Q. And in that capacity, in so assisting the plant manager, what did you do?

(Testimony of John W. Kesterson.)

A. Carried out his orders.

Q. Well, were you in charge of the operation of the machinery? [68]

A. Under him, yes.

Q. Were you in charge of the maintenance of the machinery?

A. Well, if his orders called for me to be, I would say yes.

Q. Did you have anything to do with the actual canning operation?

A. What do you mean, manually?

Q. Manually, or any other way.

A. Oh, yes, sir, I had.

The Court: Speak louder, so that we can all hear you, Mr. Kesterson.

The Witness: Yes, sir. Under his orders I would have had, yes.

Q. (By Mr. Lewis E. Lyon): Did you actually have charge of and supervise the operation of the cutting, retorting, and canning of vegetables?

A. I would say yes.

Q. Did you have charge of the labeling and packaging of the cans?

A. Well, not full charge; but charge, yes.

Q. You were completely familiar with all of those operations that were performed; is that correct?

A. I would say yes.

Q. Were you at any time from 1946 to date out of the [69] employ of the defendant organization?

A. Yes, I was.

Q. For how long?

(Testimony of John W. Kesterson.)

A. I would say for a period of approximately nine or ten months.

Q. During what period of time? When was that?

A. That was in the latter part of '49 and '50, I believe.

Q. Who was the president of the organization in 1946? A. The president of the organization?

Q. Yes. Was that Mr. Hyun, Sr.?

A. Mr. Hyun, Sr.

Q. How long did he stay in that position?

A. Well, I suppose up to date.

Q. He is still the president of the organization?

A. As far as I know.

Q. Is he active at the present time?

A. No, I would say semi-active.

Q. What do you mean by semi-active?

A. Well, what I mean is—by that I would mean that he is not in the plant as much as he was formerly.

Q. He hasn't released his position as president to anyone, to your knowledge?

A. To my knowledge, no.

Q. There has been produced here a machine which is over [70] here on the table. Are you familiar with that machine?

A. Familiar with it? Yes, sir.

Q. Are you familiar with its operation?

A. Well, I would say yes.

Q. When did you first see that machine?

(Testimony of John W. Kesterson.)

A. Well, I couldn't give you an exact date, but I would say around June or July, of 1954.

Q. Under what circumstances did you first see that machine?

A. I don't quite get the question.

Q. Well, was the machine in the plant, or did somebody bring it in and show you the machine, and tell you about it, and tell you about its operation, or under what circumstances of that character did you first see the machine?

A. When I first saw the machine, it was already in the plant.

Q. I see. Now, was anyone there with it?

A. You mean, did someone——

Q. Bring it in?           A. ——bring it in?

Q. Yes.

A. Well, it was in there when I first saw it, the first time.

Q. I see. Was anyone there with the machine when you saw it? [71]

A. You mean from the company, or from our company?

Q. From either your company, or from any outside source?

A. Well, yes, sir, I walked up to the machine with another man.

Q. And who was the other man?

A. Bob Spalty, S-p-a-l-t-y.

Q. And what was that man's—was he employed by the defendant?           A. Yes, sir.

Q. In what capacity?

(Testimony of John W. Kesterson.)

A. He was plant manager at that time.

Q. For how long did he continue to occupy that position?

A. I would say for some two to three months.

Q. After this machine was delivered?

A. Yes, sir.

Q. Was there anybody else present besides you and the plant manager at the time you first saw this machine?

A. No, sir, there was not.

Q. Did anyone explain the operation of this machine to you?

A. No.

Q. Do you know where this machine came from?

A. I suppose the Dellenbarger Machine Company. I mean, that is as far as I know. I never saw any records of it. [72]

Q. Do you know who that machine company is?

A. I do not, sir.

Q. Who supplies tape for the machine?

A. The Minnesota Mining & Manufacturing Company right at the present time.

Q. When did you first obtain tape for that machine from Minnesota Mining & Manufacturing Company?

A. Well, I couldn't answer that, as to a date, because I wouldn't remember.

Q. Did you ever obtain tape and use it on that machine from any other source than Minnesota Mining & Manufacturing Company?

A. Not to my knowledge.

Q. Did Minnesota Mining & Manufacturing Company, to your knowledge, send representatives

(Testimony of John W. Kesterson.)

to your plant to show you how to operate that machine?

A. No, sir, not to show us how to operate it.

Q. Well, were they there when you did operate it?

A. Well, they have been—oh, they have been there when it was being operated.

Q. Did anyone from any other organization show you how to operate that machine?

A. To my knowledge, no one from any company showed it to me, how to operate the machine.

Q. Did they show to your immediate superior how to [73] operate that machine, to your knowledge?

A. I couldn't answer that.

Q. You don't know? A. I wouldn't know.

Q. You learned how to operate it from the plant manager; is that correct?

A. No, sir, I did not.

Q. How did you learn how to operate it?

A. By just experimenting with it.

Q. All right. Now, how long a period of time did you experiment with it?

A. That is hard to answer, too. I wouldn't know.

Mr. Lewis E. Lyon: I don't suppose, your Honor, under the conditions that this machine was brought into court, unless it is for the purpose of identifying it so that a designation will show in the photograph, that there is any reason for marking the machine.

The Court: There isn't any reason for marking

(Testimony of John W. Kesterson.)

the machine. What do you mean? What kind of marking?

Mr. Lewis E. Lyon: I mean to tag it, so that it can be identified, and any identification tag would show in the photograph.

The Court: It may be done, but the printing on the photograph is so small unless you make a special printing of it that it probably would not show on it.

We can do, as we do with any object, tag it.

Mr. Lewis E. Lyon: I think it would be well to mark it for identification.

The Court: You know, we have had everything here, including a miniature oil digging outfit in this court.

Mr. Lewis E. Lyon: I think it would be well to mark it for identification as Plaintiffs' Exhibit 21.

The Court: The clerk can attach a tag to it, and he can print it large enough so that whoever takes the photograph may photograph the tag. [75]

\* \* \* \* \*

Mr. Lewis E. Lyon: Now, I think, your Honor, if the witness could come over here.

The Court: I think we will all move over.

Mr. Lewis E. Lyon: Or if the witness would talk a little louder——

The Court: I don't think that would do. I think it would be well for us to move.

Mr. Lewis E. Lyon: And move the machine right up here?

The Court: Yes, move the machine. [76]

Just a minute. Why don't we ask Mrs. Zellner



(Testimony of John W. Kesterson.)

to move here, and I can sit back of the press table, and she can sit here.

The Clerk: The machine is marked as Plaintiffs' Exhibit 21, for identification.

(The machine referred to was marked Plaintiffs' Exhibit 21, for identification.)

Q. (By Mr. Lewis E. Lyon): Now, this is the machine produced by the defendant. Is this the machine you are familiar with?

A. That's right, sir.

Q. Is this the machine that has been operated by the defendant in taping two cans together?

A. Yes, sir.

Q. How long has it been so used?

A. Since about, roughly, around September, 1954.

The Court: Speak up louder so that we can all hear you. Will you read the last question and answer?

(Question and answer read.)

Q. (By Mr. Lewis E. Lyon): This machine includes a reel, on which I have my hand at the present time, upon which the roll of tape is mounted; is that correct? A. That is correct.

Q. And that tape is threaded upon that reel, around and underneath this roller, this silver roller on which I have my hand, and which I am spinning, and then up between this [77] longitudinal serrated roller, under the rubber roller, down under-

(Testimony of John W. Kesterson.)

neath the knife, and down on to the can; is that correct?       A. No, sir.

The Court: Let him explain.

Q. (By Mr. Lewis E. Lyon): Where is it wrong?

A. It does not go down underneath the knife. It stops right here (indicating).

The Court: Now, what do you mean by "here"? "Here" does not mean anything in the record. Would you designate the place on the machine?

The Witness: Yes, I did, right here, between the roller and the knife.

The Court: Between the roller and the knife. All right.

Mr. Harris: I don't think the record is clear as to which roller the witness is speaking of.

The Court: I have tried to make him indicate.

The Witness: This top roller (indicating).

The Court: The top roller. All right.

Q. (By Mr. Lewis E. Lyon): I hand you a pack, and will ask you if this is the type of pack of the defendant which is taped on the machine in front of you?       A. Yes, we have taped that type.

Q. That machine is set up so that it can carry two [78] rolls of tape, is it not?       A. Yes, sir.

Q. And the purpose is to connect together three cans; is it not?       A. That is right.

Mr. Lewis E. Lyon: Have we got those rolls of tape?

(The rolls were handed to counsel.)

Q. (By Mr. Lewis E. Lyon): Now, I am going to ask you, Mr. Kesterson, if you can take these

(Testimony of John W. Kesterson.)

two rolls of tape and put them on this machine, and take these three cans, which are not cans that are in evidence, take them apart, and demonstrate the operation of that machine?

Mr. Harris: That is objected to, if the court please, because these cans have already been taped, and that would not give an accurate illustration of a taping operation with cans that have not been taped previously.

Mr. Lewis E. Lyon: I told him to take the tape off of them.

Mr. Harris: But when he takes it off, it leaves the stickum on the can, and does not give a complete picture of the operation.

The Court: I agree that we should have cans in the virginal state, as it were.

Mr. Lewis E. Lyon: All right. Have we got such cans here? [79]

I will ask the defendant, because these are their own cans, not cans of our size, that they produce three such cans, your Honor.

The Court: Well, if you have them here.

Mr. Harris: We don't have these here, your Honor, I am sure. If counsel had told me this this morning, I could have had them here.

Mr. Lewis E. Lyon: For the purpose of illustrating the machine, and not as a demonstration, then, I will ask you to start out and thread these two pieces of tape into the machine.

The Court: You take them apart. Have they taken them apart?

(Testimony of John W. Kesterson.)

Mr. Lewis E. Lyon: No, they are easy enough to take apart.

The Court: Is that what you are speaking of?

Mr. Harris: What I am talking about, your Honor, is that cans once taped have some stickum left on from the tape, and the thing doesn't work right.

The Court: That isn't the point we are concerned with. What is involved here is the process.

Mr. Lewis E. Lyon: That is right, your Honor.

The Court: The process of putting them together, and that should not differ whether you use cans that have never been taped or cans that were once taped. [80]

Mr. Harris: I think the evidence will show it makes quite a bit of difference.

Mr. Lewis E. Lyon: All right. If that is so, the defendant can produce cans that have not been taped.

The Court: Let's allow that for demonstration, allowing for any margin of error for the fact that there are ingredients from prior taping. We will leave those out.

Mr. Lewis E. Lyon: Of course, it is understood that the tape that we are using is not the tape of the same color as was taken off from the cans, so it will show that the cans——

The Court: The main point is to have a demonstration.

Mr. Lewis E. Lyon: That is right, your Honor.

(Testimony of John W. Kesterson.)

The Court: All right, Mr. Kesterson. Oh, you are not through there?

Mr. Lewis E. Lyon: Let's take the other end. I would suggest on this you take the end that has not been taped.

Mr. Harris: May the record show that counsel has now taken the tape off of these cans, and there is still quite a bit of tape remaining on the cans.

The Court: Let's not try to have perfectionists just now, gentlemen, because we can't use up too much time in a simple demonstration. What we want to find out is an illustration of the manner in which the taping is done, so as to see its relation to the patent in suit.

The Witness: I believe this machine is set up for a [S1] dual pack, so if it is, this won't fit in. I can't run this demonstration the way it is set.

Mr. Lewis E. Lyon: Well, he can't run it. This is a 220-motor, is it not?

The Court: What have we got?

The Witness: It is a 110-motor, but it has the wrong prong on it.

The Clerk: You need a converter for the plug, your Honor. It is a different type of plug.

The Court: Oh, we don't want to blow out all the fuses.

Mr. Lewis E. Lyon: That would not blow out the fuses. It just would not run until we get a converter. What it takes is a converter to convert this industrial plug to a 2-prong plug. I just sent my associate to get one.

(Testimony of John W. Kesterson.)

The Court: Where is he going to get it?

Mr. Lewis E. Lyon: I believe Enders Hardware, right down on Main Street.

The Witness: We can't run this now.

Mr. Lewis E. Lyon: Why not?

The Witness: Because it is set for a double pack.

Q. (By Mr. Lewis E. Lyon): It is what?

A. It is set for the double pack and the triple pack cans will not fit.

Q. All right. Then let's get a set of double pack cans. We won't have to run it with the triple pack. We have 2-plan [82] cans.

I have taken two cans of the defendant's products from the carton, Plaintiffs' Exhibit 2 to the Hyun deposition of November 11, 1955, and I will ask you if this machine is set so that it will take those cans?

A. No, sir, because I am sure these are 300s, and this is 303. You see the difference in the center (indicating).

Q. All right. Pardon me. We will take the other two. A. That is a 307.

Q. That is a 307? A. Yes, sir.

Q. Here are a pair of 303 cans, which I will separate, and ask you to tape together at the opposite ends. That will eliminate the presence of tape. Will it work on these cans?

Now, while you are waiting, let's thread the machine up and tape them at the ends opposite

(Testimony of John W. Kesterson.)

from which they were taped before. When was this machine last operated, do you know?

A. I believe it was operated last night, but I wasn't at the plant.

Q. Was that after hours?

A. It was after our regular hours.

Q. Who was operating it, do you know? [83]

A. No, I don't, because I wasn't in the plant at the time.

Q. Was the plant operating—— A. Yes.

Q. ——on a regular production?

A. I don't get what you mean by that.

Q. I mean, were you actually filling, and canning, and labeling? A. No, just packaging.

Q. Was this a test operation that was performed last night? A. No.

The Court: He said they were packaging.

The Witness: No, regular packaging.

Q. (By Mr. Lewis E. Lyon): Regular packaging. On what particular product was it operating?

A. On the double pack, 2-in-1 deal.

Q. On the 2-in-1 deal? A. Right.

Q. That is as illustrated by this Exhibit 11?

A. Yes.

Q. It wasn't operated at all this morning, to your knowledge? A. Not to my knowledge.

Q. Has it been changed or altered in any way since it [84] was operated last night until you brought it in here? A. No, sir.

Q. While we are waiting for that plug, I will ask you some other questions. Starting with this

(Testimony of John W. Kesterson.)

Exhibit 11, when did the defendant first start to pack the 2-in-1 pack, as illustrated by Exhibit 11, with that label?

A. I would say approximately June of this year, 1955.

The Court: Now, let's interrupt the proceedings while the workmen try to adjust this. You want to make certain, gentlemen, that nothing happens to our current, so that we will not put the courthouse in the dark here.

The Engineer: We won't do that, your Honor.

Q. (By Mr. Lewis E. Lyon): Is your same answer with respect to the time when you started to use the label on Exhibit 12,—June of this year?

A. Yes, sir.

Q. 1955? A. Yes.

Mr. Lewis E. Lyon: Do you have any records—does the defendant have any records to establish the date of the delivery of the particular labels as shown on Exhibits 11 and 12? They are under subpoena, and I will ask if they can be produced at this time.

Mr. Harris: That is all we have, counsel, at this time. We haven't had an opportunity to completely check our files [85] since yesterday afternoon late, when we got the subpoena, but these are the only records we have now. We are still searching.

Q. (By Lewis E. Lyons): I will place these before the witness and ask him if he can tell me whether these records show the date of receipt of



(Testimony of John W. Kesterson.)

the labels like those contained on Exhibits 11 and 12, or 11 or 12?

Mr. Harris: That is objected to on the ground there has been no foundation laid that this witness knows anything about these records.

The Court: You can find out. Overruled.

Mr. Lewis E. Lyon: He is the plant manager.

The Court: All right. Let's go on, gentlemen. We are moving very slowly, I am sorry to say.

Mr. Lewis E. Lyon: I am sorry.

The Court: All right.

The Witness: What was the question?

Q. (By Mr. Lewis E. Lyon): The question was: Is there any record here which shows the date of delivery, or date of use of Exhibits—like Exhibits 11 and 12, or 11 or 12?

A. I can't see a delivery slip. I can say an approximate delivery date.

Q. What was that approximate delivery date?

A. April 23rd.

Q. Of 1955? [86]

A. Oh, not on these. No, this is on something entirely different.

Q. He says this is on something entirely different. As far as I can see, there is nothing here on this particular item.

There was a delivery ticket received with the labels like Exhibits 11 and 12 at the defendant's place of business, was there not?

A. I assume there was, yes. I don't receive them.

(Testimony of John W. Kesterson.)

Q. Who is in charge of those records?

A. I couldn't say that either, because that is handled through the front office, and I have nothing to do with that.

Q. Do you know who printed the particular labels, Exhibit 11 and 12?

A. Since we have been buying from Louis Roesch Company, I would imagine they do.

Q. Do you know where the product of the defendant, and the labels, Exhibits 11 and 12, have been distributed?

A. No, sir, because I am not in the shipping department.

Q. Now, prior to the use of these labels, Exhibits 11 and 12, on the cans, what was the label that preceded that?

A. What do you have reference to? What label preceded it?

Q. Well, on this type of can you had a prior label, did you not? [87]

A. On the type can?

Q. Yes. A. Yes.

Q. And what was that prior label?

A. Well, on this particular size cans, we have labels, several labels, the chow meins and the chop suey and the noodles.

Q. Yes. But you had a different color combination earlier. What was that one? Is that illustrated by some of the exhibits over here? For example, is Exhibit 15 illustrative of the type of label that was used by the defendant prior thereto?

A. We used the type label prior to this, yes.

(Testimony of John W. Kesterson.)

Q. How much prior? A. I would say——

Q. Did the one immediately follow the other?

A. That's right.

Q. That is, 11 and 12 immediately followed 15; is that correct? A. Yes.

Q. And as to 15, on the different products, was the name of the particular vegetable stew which was in the bottom can; is that correct?

A. Yes, sir, and on the noodle label, too.

Q. And on the noodle label, too. All right. Now, when was this one cent sale type of can first offered to the [88] public, and that is as illustrated by Exhibit 15.

A. Well, that would have to be a guess.

Mr. Harris: I object to the witness guessing.

The Court: You cannot object to your own witness guessing. He is your own manager. Go ahead and tell us, as near as you can.

The Witness: I would say some time in '49.

Q. (By Mr. Lewis E. Lyon): All right. Now, with the one cent sale on there?

A. I don't remember that, truthfully.

Q. Will you look at this list of documents that have been produced, and see if you can identify a delivery date for that label, that is, the one with the one cent sale across the face of it, Exhibit 15?

A. I don't see anything here.

Q. There was a delivery ticket received for those labels, was there not?

A. I would assume there was.

Q. Prior to the use of this label with the one cent

(Testimony of John W. Kesterson.)

sale across the face of it, was the same label used without that imprinting of the one cent sale across the face of it?

A. We did have, yes, the plain contents, but it was in a different size can.

Q. In a different size can?

A. I don't believe that—we do have just the plain [89] chow mein-noodles without the one cent sale, yes.

Q. Was that used prior to the one cent sale sign, that label?           A. Yes.

Q. And when was that label used without the one cent sale across the face of it?

A. Ever since I have been with the company.

Q. The label, without the one cent sale sign being printed over its face, is like the label on the lower can; is that what you mean?

A. What do you mean, like the label on the lower can?

Q. The label on the lower can is a yellow label of some configuration, except for the illustration of the noodles on the top label.

Mr. Harris: That calls for a conclusion of the witness. The labels speak for themselves.

Mr. Lewis E. Lyon: It is only for identification.

The Court: On the second question, which called for the witness' previous answer, he did not seem to want to commit himself. Go ahead.

The Witness: Well, I just wanted to have an understanding of exactly what your question meant. It could be the label without the one cent sale.

(Testimony of John W. Kesterson.)

Q. (By Mr. Lewis E. Lyon): Yes, that is what I am referring to. [90] A. Yes.

Q. And you had the label without the one cent sale sign across its face for the chow mein-noodles, did you? A. That's right.

Q. And you also had that yellow type of label for the other products, such as the vegetable chop suey, the beef chow mein, and the chicken chow mein, did you not?

A. I don't recall the color background for the different products unless I would see them before me.

Q. I see. Now, just when was it that you adopted that one cent sale label?

A. Truthfully, I don't remember. I couldn't even hazard a guess.

Q. You have no way of determining?

A. Not unless I saw some type of record.

Q. You have no independent recollection?

A. No, sir.

The Court: He has already so stated.

Mr. Lewis E. Lyon: Pardon me.

The Court: I think we ought to recess and let the workmen organize this at leisure, so that we will not interfere with them and they will not feel rushed. Then you can call me back as soon as you gentlemen are ready.

Mr. Lewis E. Lyon: Thank you, your Honor.

(A recess.) [91]

The Court: All right.

Mr. Lewis E. Lyon: It appearing, your Honor,

that we are still engaged in taking pictures of the machine, and it further appearing that the machine for some reason is broken down and will require fixing, we will probably save time, for the court and everybody concerned, including the witnesses, if we adjourned at this time until morning, to get the machine back in running order, so that we can demonstrate it and get the picture taking out of the way. [92]

\* \* \* \* \*

Wednesday, November 23, 1955; 10:00 A.M.

The Clerk: Case No. 17,882-Y, Chun King Sales, Inc., et al., v. Oriental Foods, Inc., further trial.

Mr. Lewis E. Lyon: Ready.

Mr. Harris: Ready.

The Court: Is our machine working?

Mr. Harris: Yes, your Honor, the machine is now in operating order.

The Court: Shall we go on?

Mr. Lewis E. Lyon: Yes, your Honor, let's do that.

The Court: I think that would be better. Then we can be through with the demonstration, and we will now move closer to the machine.

### JOHN W. KESTERSON

the witness on the stand at the time of adjournment, resumed the stand as a witness under Section 43(b), and having been previously duly sworn, testified further as follows:

(Testimony of John W. Kesterson.)

Direct Examination—(Continued)

The Court: All right. Let us go on, gentlemen.

Mr. Lewis E. Lyon: I have two pairs of cans here. Which ones do you want him to work on? Two pairs of defendant's cans. Which ones do you want him to work on,—Jan-U-Wine? [95]

Mr. Harris: Either one. I don't care.

Mr. Lewis E. Lyon: All right. Which ones do you want?

(The machine was turned on.)

Mr. Lewis E. Lyon: Let the record show that the witness pulled the tape out and cut it off underneath the knife.

Mr. Harris: Let the record show that the witness put two cans in the machine, turned the switch, and the cans were rotated and came out sealed.

\* \* \* \* \*

Mr. Lewis E. Lyon: I would like to have this first pair of cans marked as an exhibit next—

The Clerk: That will be Exhibit No. 22. [96]

Mr. Lewis E. Lyon: —22, which is the first pair of cans which the witness passed through the machine.

(The item referred to was marked Plaintiffs' Exhibit 22, for identification.)

The Court: You didn't show me the cans closely before they were put together, so that I might see the little—what do you call them—the dents, or, the beads.

(Testimony of John W. Kesterson.)

Mr. Lewis E. Lyon: The beads on the end?

The Court: Yes.

Mr. Lewis E. Lyon: The beads on the end, your Honor, are identical to the beads that are on the free ends of the cans.

The Court: I see.

Mr. Lewis E. Lyon: The bead is what sticks out on this side, which overlies the periphery of the cylinder.

The Court: In other words, one of the cans is wider than the other; is that it?

Mr. Lewis E. Lyon: No, they are both wider at the bead than they are at any other point.

Mr. Harris: If the court please, may I caution court and counsel against pressing the tape down on the cans.

The Court: I am not touching it at all. I merely wanted to make sure that I understood what you meant by the bead. I didn't see them, and I didn't know whether you meant the regular overlap, or what. [97]

Mr. Lewis E. Lyon: It is a regular flange, your Honor.

The Court: A regular flange, or whether it was something special that enables them to be put together.

Mr. Lewis E. Lyon: Now, the second pair of cans that the witness put together, which are the ones with the yellow label, I will ask be marked in evidence as Exhibit 23.

The Clerk: What is the difference?



(Testimony of John W. Kesterson.)

Mr. Lewis E. Lyon: This is the first one he put together, and I identified this second one as the yellow label.

The Clerk: Are these offered in evidence?

Mr. Lewis E. Lyon: Yes.

The Court: They may be received.

The Clerk: Plaintiffs' Exhibits 22 and 23 identified and admitted in evidence.

(The items referred to were marked Plaintiffs' Exhibits 22 and 23, and received in evidence.)

Q. (By Mr. Lewis E. Lyon): For the purpose of comparison, I believe that you have already identified Plaintiffs' Exhibit 11. Is this a pair of cans that were taped together in this machine which is before you?

A. No, sir, they are not.

Q. Is this machine used for taping these cans together? A. Yes, sir, it is.

Q. Are there some here that were used for taping it together,—that were taped together by this machine that you [98] can identify over here?

A. Not that I have seen.

Q. Let me see. Let's look at Exhibit 14.

A. I don't believe it was, sir.

Q. All right. Now, let's look at these cans here, which are Exhibits 10, 11 and 12 to Mr. Hyun's deposition of November 10, 1955. Were these done on that machine?

A. I would say they were.

(Testimony of John W. Kesterson.)

Mr. Lewis E. Lyon: For the purpose of the record here at this point, I will say that these three cans, three pairs of cans, Exhibits 10, 11 and 12 to Mr. Hyun's deposition of November 10, 1955, be received in evidence as Exhibits 24, 25 and 26, and I will identify them this way:

The vegetable chow mein intermediate label as Exhibit 24.

The Clerk: Intermediate label?

Mr. Lewis E. Lyon: Yes. Beef chop suey intermediate label as Exhibit 25.

And the chicken chow mein intermediate label as Exhibit 26.

The Clerk: These are Jan-U-Wine's?

Mr. Lewis E. Lyon: Yes.

The Court: They may be so received.

(The items referred to were marked Plaintiffs' Exhibits 24, 25 and 26, and received in evidence.) [99]

\* \* \* \* \*

Q. (By Mr. Lewis E. Lyon): On Exhibit 24, the tape that was used, was that a stretchable tape?

A. I would say it was, yes.

Q. And it is stretched, is it not, over the two beads at the two ends of the cans? A. It is.

Q. And adheres to the side of the cans on each side of the beads, does it not? A. Yes, sir.

Q. And that was stretched that way by pulling tension on the tape in the machine before you; is that correct?

Mr. Harris: That is objected to as calling for

(Testimony of John W. Kesterson.)

the conclusion of the witness, and no foundation laid.

The Court: Overruled.

Mr. Lewis E. Lyon: I am just asking the question: Is that true?

The Court: This is cross examination. Overruled. 43(b) is cross examination, and you may ask him leading questions, or any questions. Overruled.

The Witness: Well, would you repeat that?

Mr. Lewis E. Lyon: Will you read the question, please? [100]

(The question was read.)

The Witness: If the machine pulls tension on the tape, it would be for that, but that is——

Q. (By Mr. Lewis E. Lyon): The tape is stretched, is it not, on Exhibit 24?

A. Well, I would say it was stretched, yes.

Q. And the tape was put on the cans in Exhibit 24, as you stated, in the machine before you; isn't that correct?

A. I stated I believed it was. I couldn't say for sure.

Q. Now, it appears to be the same as all other cans that pass through that machine, does it not?

A. Not all other cans, no.

Q. Well, the successful ones?

A. We might say successful.

Q. All right. You have stated that it is stretched as it is on the can, isn't it?

A. I would say so.

(Testimony of John W. Kesterson.)

Q. All right. Now, was there any other possible way that it could be stretched on the can in going through that machine except by the machine putting tension on the tape?

The Court: If he knows that.

The Witness: I don't know that it went through the machine. It might have been a can put on by hand.

Q. (By Mr. Lewis E. Lyon): This appears to be identical [101] with the ones that have gone through the machine?

A. Of some. They don't all go through the machine, as you have seen.

Q. When they go through successfully, they appear like Exhibit 24?

A. Yes, somewhat like that.

Q. And that shows that tension was put on the tape to get it stretched that way, does it not?

A. I couldn't answer that.

Q. Why not? A. Because I don't know.

Q. All right. Now, you don't know, then, that this machine in applying the tape to the can puts tension on that tape; is that your statement?

A. That's right.

Q. What does it do? How does it pull the tape under the series of rollers, and over this serrated roller? Does it take a pull to do that?

A. It is stuck to the can, and as the can rotates, the tape is applied to it, that's all.

Q. How is the tape pulled through the machine?

A. By being stuck to the cans.

(Testimony of John W. Kesterson.)

Q. All right. Then the can rolls and pulls on the tape, does it not?

A. It would have to. [102]

Q. And when you pull on the tape, you pull it in tension, do you not?

A. I am sure I couldn't answer that. It might have been rolled on.

The Court: That is argumentative. The witness evidently is not an expert in mechanics or physics, so as to desire to commit himself. He does not desire to commit himself as to what it does do. I don't think it is important. I think the fact is important, not what this witness says it does. Suppose he admitted that it does, I could still find it does not if I am not satisfied it does. So let's not take time unnecessarily. The witness has given you the same answer, and let's move on to some other topic, please.

Q. (By Mr. Lewis E. Lyon): Looking at these exhibits, 22 and 23, would you say that that was a successful operation of taping these cans?

A. No, sir, I wouldn't.

Q. In either case? A. No.

Q. But you say this machine which is before you was used in the line the night before it was brought here; is that correct?

A. That's right, sir.

Q. And it was operating correctly then?

A. I couldn't say that. I wasn't there. [103]

Q. Well, as far as you know, it was operating the same as it always did?

(Testimony of John W. Kesterson.)

A. I didn't hear anybody say any different.

Q. And it was on a commercial line, you say?

A. Yes, sir.

Q. And you, as production manager, haven't had any report that on that commercial line the work was unsatisfactory, have you?

A. I haven't so far, no.

Q. Now, the machine today is doing an unsatisfactory job; that is correct, isn't it?

A. I wouldn't say that would be a satisfactory job on those two particular cans.

Q. All right. Now, what has occurred on the machine in the interim, do you know?

A. No, sir, I don't know. I don't think anything has. We know that it got out of adjustment bringing it down here, and that is as far as I know.

Q. You think, then, it is just a matter of its being out of adjustment; is that correct?

A. That would be my opinion.

Q. And that out-of-adjustment would be in the manner in which the tape, the plastic adhesive tape was pulled off the roll, would it not?

A. I couldn't answer that. [104]

Q. You don't know? A. No, sir, I don't.

Q. What other out-of-adjustment could there be?

A. Anything in the mechanical line. I wouldn't know that. All we try to do is to get it ready to go. I am not an engineer.

Q. Were you one of the men that worked on this machine last night after it was found to be broken?

(Testimony of John W. Kesterson.)

A. I was one of them, yes, sir.

Q. Who else worked on it?

A. The other gentlemen.

Q. Who were the other gentlemen?

A. I couldn't call their names because I don't know them.

Q. Are they here?      A. One is Mr. Peterson.

Mr. Harris: They will both be called as witnesses, and you can cross examine them.

Mr. Lewis E. Lyon: Who are they, then? If I don't know them, I can't examine them. I am trying to establish——

The Court: He has already stated they will both be witnesses.

Mr. Lewis E. Lyon: But who are they?

Mr. Harris: If counsel wants to subpoena them as his witnesses, and call them, all right. I think it is out of order. [105]

The Court: Oh, I think he is entitled to know who the witnesses are.

Mr. Harris: Yes, the witnesses are Mr. Ivan Peterson and Mr. Orville Johnson.

The Court: All right, gentlemen, let's go on.

Q. (By Mr. Lewis E. Lyon): I place before you Exhibits 14 and 15. Do these appear to be taped on that machine?

A. They appear to be.

Q. How long has this machine that is before you been used by the defendant in taping cans?

A. Since approximately September, of '54.

(Testimony of John W. Kesterson.)

Q. Has it been set up to take different sizes and different styles of cans during that period?

A. Yes, it has.

Q. What different sizes and styles?

A. It has been set up to take two 303 by 406 size, and it has also been set up to take one 303 by 406, and two 303 by 113.

Q. Those different size illustrations you have given are illustrated, respectively, by Exhibits 22——

A. That is right.

Q. ——and 24; is that correct, sir?

A. Yes, sir.

The Court: This machine is a standard machine, and it [106] isn't specially made, is it? You merely adjust it?

The Witness: As far as I know, sir, no sir. It is merely a change of adjustment.

The Court: You merely adjust it to the size of your cans——

The Witness: That is right, your Honor.

The Court: ——depending on what run you have?

The Witness: That's right.

The Court: I assume you run one size at one time, and then readjust for a different size; is that correct?

The Witness: Yes, sir.

Q. (By Mr. Lewis E. Lyon): Isn't this true, that, so far as you know, this is a special machine made especially for this purpose, and not a machine of general use?



(Testimony of John W. Kesterson.)

Mr. Harris: Excuse me. The question is indefinite, your Honor, as to what counsel means by "this purpose."

Mr. Lewis E. Lyon: I mean for applying tape in this manner,—for taping cans in this manner.

The Witness: As far as I know, that is what it is for.

Q. (By Mr. Lewis E. Lyon): You never saw any similar machine used in any other place, did you?      A. No.

Q. Or on any other cans other than this Chinese American type food?

A. I have never seen another machine used like this. [107]

Mr. Lewis E. Lyon: That is all.

Mr. Harris: May I ask one question, your Honor?

The Court: Surely, you may ask him any questions.

#### Cross Examination

Q. (By Mr. Harris): Mr. Kesterson, when you demonstrated the operation of this machine, Plaintiffs' Exhibit 21, for identification, that is here in court, approximately how fast did the cans rotate while the tape was being applied?

A. Well, truthfully,——

Mr. Lewis E. Lyon: I object on the ground that he has not been qualified to answer that question.

The Court: Oh, any man operating that machine can testify as to its speed, just as any man on the street can testify as to speed, whether he drives a car or not. Speed is an estimate made visually,

(Testimony of John W. Kesterson.)

and a man who runs a machine can estimate how many turns it makes per second, or in whatever method he wants to express it, if he can.

The Witness: I really don't know.

Mr. Harris: That is all.

The Court: That saves us the trouble, then.

Mr. Harris: May this witness be excused?

The Court: This witness may be excused.

(Witness excused.) [108]

The Court: Is counsel through with this machine? If you are through, I suggest that we break the continuity right now, and have a recess so that the people can remove it, and then we will go on with the case. So long as we have broken into the continuity several times, this will be our morning recess.

Mr. Lewis E. Lyon: All right.

The Court: And then we can go to 12:00 o'clock.

Mr. Lewis E. Lyon: Subject to the agreement and identification of the photographs that can be substituted in place of the original machine.

The Court: Then let's take the photographs.

Mr. Harris: The photographs have been taken. There will be no difficulty about that. I saw them taken, so there will be no question.

The Court: Then we will declare a recess, and have the workmen remove the machine, and when they are out of here, we will continue with the case. [109]

\* \* \* \* \*

JENO FRANCISCO PAULUCCI

resumed the stand as a witness on behalf of the plaintiffs, and having been previously duly sworn, testified further as follows:

Direct Examination—(Continued)

Q. (By Mr. Lewis E. Lyon): Mr. Paulucci, I place before you two of your products, I believe. Can you identify these?

A. These are—our one can is our 303 by 406 can of Chun King chow mein-noodles one cent sale combination over a can of Chun King beef chop suey 303 by 406.

Q. And taped together?

A. And taped together, yes, sir.

Q. When was that product placed on the market?

A. Well, the labels that these represent—this particular label here on the noodles came in between our 2-and-1, and our new label now, which just came out.

Q. Now, your 2-and-1 and your new label. Let's get what you mean by that. Exhibit 18 that I have in my hand is an example of the 2-in-1; is that correct? A. Yes, sir.

Q. And the new label is what?

A. The new label is—no, sir—the one way in the back, please. [110]

Q. This one here (indicating)?

A. Yes, sir.

Q. As illustrated by Exhibit 17?

A. Yes, sir. This was—in other words, we came

(Testimony of Jeno Francisco Paulucci.)

out with the 2-in-1 deal in '52, and in the Fall of '53 for approximately a three months period this was introduced.

Q. And by "this," you mean this one cent sale——

A. Yes, sir.

Q. ——item here, which you have in your hand?

A. Yes, sir.

Mr. Lewis E. Lyon: I will ask that this particular can, as identified by the witness,——

The Clerk: Plaintiffs' Exhibit No. 27.

Mr. Lewis E. Lyon: ——be marked and received in evidence as Plaintiffs' Exhibit 27. It is the label bearing the one cent sale panel on the chow mein noodle can, and over a can of beef chop suey with pork.

The Witness: I might add that same can has the 2-in-1 on the top lid.

Mr. Lewis E. Lyon: Painted on the top lid, the 2-in-1.

The Court: It may be received.

The Clerk: Received in evidence as Plaintiffs' Exhibit No. 27.

(The item referred to was marked Plaintiffs' Exhibit 27, and received in evidence.) [111]

Q. (By Mr. Lewis E. Lyon): You had a second pair of cans in your hand. Is that of the same vintage and the same characteristics?

A. This is of the same vintage. It is a can of 303 by 406 noodles, with a one cent sale on the face of it, and on the top lid "2-in-1." It is taped

(Testimony of Jenio Francisco Paulucci.)

to a can of our subgum chicken mushroom chow mein.

Q. Did you have a third pair in that series, which included the vegetable chow mein?

A. Yes, sir, we had a third and a fourth.

Q. And the third was what?

A. The third was the can of noodles, with the one cent sale on the face, the 2-in-1 on the lid, taped to a can of meatless chow mein.

And the fourth was a can of rice, 303 by 406, with the one cent sale on the face, 2-in-1 on the lid, and the beef chop suey taped to it.

Q. Now, did those all come out, and were they sold during that three months period that you have before referred to?

A. They were offered during the three months period in the Fall of 1953.

Mr. Lewis E. Lyon: I will offer the second can identified by the witness, and which is the one cent sale type of chow mein noodle can, bearing the one cent sale on the [112] face of the can, and also on the top of the lid, and is taped to a can of subgum chicken mushroom chow mein, as Exhibit 28.

The Clerk: Identified and admitted as Plaintiffs' Exhibit No. 28.

(The item referred to was marked Plaintiffs' Exhibit No. 28, and received in evidence.)

Q. (By Mr. Lewis E. Lyon): Mr. Paulucci, have you had any dealings with anyone with respect to a machine of the general type of machine

(Testimony of Jeno Francisco Paulucci.)

which was here in the courtroom, and is known and referred to sometimes as a Dellenbarger machine, Exhibit 21, for identification?

A. Yes, sir.

Q. With whom did you have such dealings?

A. The Minnesota Mining & Manufacturing firm from St. Paul.

Q. When?

A. As I remember it, in the middle part of 1951.

Q. Was that before or after you moved your plant?

A. The first discussions on the machine, I believe, were before the move. The actual testing of the machine, as I remember it, was after the move.

Q. Did you have a machine?

A. No, sir, we tested a machine.

Q. For how long a period did you test such a machine? [113]

A. I don't recall exactly, but I would say that it may run from a day to two days, maybe as much as a week, but I doubt that it was as much as a week at a time.

Q. For how many weeks?

A. Well, I don't remember exactly, but I would say that we tested a machine possibly three or four different times for a period of maybe one day or two or three days at a time.

Q. Do you know personally whether the machine was of the same construction as the machine that was here in court?

(Testimony of Jenio Francisco Paulucci.)

A. The same general construction.

Q. Do you know that it had the same parts on it?

A. I did not examine this machine.

Q. I see. What were the results of the tests?

A. Very unsatisfactory.

Q. Why were the tests made? Was someone trying to interest your company in that machine?

A. That is kind of a long story. May I relate it?

Q. Go right ahead.

A. We had been taping the cans of noodles to the chow mein, as I related yesterday, since approximately April or May of 1949, and although they were unsuccessful, as far as keeping the two cans together, we were doing it, except for the beef-rice deals, which we had to solder. [114]

The Minnesota Mining people were called in by the writer originally to sell us tape, and to sell us tape alone. They sold us tape, as well as others, whom we bought tape from.

They came to us—and I believe it was Mr. Cronin who is in the courtroom here today—came to us, to a Joseph Scinocca, I believe it was, and offered to help us make a machine, or to furnish us with a machine, I should say, that would cut our cost of labor of putting the tape on.

Mr. Scinocca came to me, and I believe it was Mr. Bingham at that time, too, and advised me of such.

I asked that the next time Mr. Cronin and any

(Testimony of Jeno Francisco Paulucci.)

of his associates come into our plant, that I wanted to see them.

Mr. Cronin came in with either a Mr. Hebert or a Mr. Aldrich, I don't remember exactly, and I told them very plainly, I said, "Look, fellows, we are getting along here halfway decent. If you are going to come in with a machine that is going to help us, and for our purpose alone, we will be very happy to work with you, with the thought that you will sell us more tape. But if you are going to come in here to try to learn from us what we are doing, so that you can use that machine for any other purpose, to sell tape, or to encourage others to sell tape, I want nothing to do with you 'e capito'."

And I told them that because I always say, when I get kind [115] of excited, the Italian words, so that they understand that I mean business.

And they said, "Well, we are doing this as a customer's service to you."

I said, "Will you give me a letter to that effect?"

They said, "Well, we will check with our people, but really it isn't necessary, Jeno. You are a good customer of ours, we want to work with you, we will do everything we can to make a tape machine that will save you money so that you can sell more of these products."

And I said, "With that understanding, then, you go ahead."

And I worked with them. I even had maintenance men—I had a maintenance man stand there



(Testimony of Jeno Francisco Paulucci.)

all day, when they would bring their machine, because usually in a regular run we would have four or five maintenance men in our plant, and they would bring the machine in, and then the men would say, "It don't work, Jeno."

Then they would come back to me and say, "You are not working it right. You are not cooperating with us."

I said, "Okay." So I would get one of our men,—I get Jim Dunham, and so I said, "Jim, give them a maintenance man, and have that maintenance man stand right there all day—if he don't do nothing else—stand there all day and test that machine. These people say they have gone out of [116] their way to help us, and we are not cooperating."

We did that, and we gave them the reports that the machine is unsatisfactory.

In fact, Mr. Bingham showed them something on their machine which was a result of after we had learned how to apply tension to the tape, and how to do it properly, and they brought in their machine, and it was after that that we showed them what to do to their machine in order that it could operate better, with the tension that we were using.

Q. What was that?

A. That was a groove in the wheel. They were coming in with a flat spool, where the tape would go underneath, and the tape would just go around the beads, and it would not go to the contours of the beads on the side walls. And this was after we were applying tension on our manual operation

(Testimony of Jeno Francisco Paulucci.)

that Mr. Bingham said to them, "Look, if you curve them, put a groove in that spool instead, it will help to take it over the contours of the beads, so that with some tension you will get it around the contours of the beads of the can, as it should be. Otherwise, the machine is unsatisfactory."

But in spite of that the machine was highly unsatisfactory, and we discontinued it. Then they had the audacity to go in May to packaging show, and have the machine, that machine, with cans of Chun King there, and telling the public [117] who went there that Chun King was using this machine, and made a representation to other people to that extent.

And so I wired them, and I told them that they had no right to do that, it was contrary to our agreement, and I even called their sales manager, and all he gave me was a lot of double talk, so, as we say in Italian, a froabuttilli.

Q. Where was this show?

A. It was a packaging show of some sort.

Q. Where?

A. I don't know. I think it was in Atlantic City.

Q. Do you recall when it was?

A. I think it was about in May of 1952.

Q. For the purpose of definitely establishing the date when your company acquired the labels with the little cartoon characters, showing the time of use, you have obtained copies of invoices upon which those labels were first delivered, and I will hand you those invoices and ask you if they estab-

(Testimony of Jenio Francisco Paulucci.)

lish the date when you first obtained that type of label.

I place before you three sets of invoices, with attached labels, and ask you if you obtained those labels from the Aegis-Crockett Company of San Francisco, California? A. Yes, sir.

Q. Are these invoices—do you recognize these invoices as duplicates of the invoices upon which you received those labels? [118]

A. I don't recognize them exactly, because it is so long ago, but they are certified here, and I take it they are the same ones.

Q. I note the delivery date, as set forth on these invoices, is January 1, 1954, and that the delivery of the first 1,000 labels of each of the three, that is, the vegetable, the beef, and the chicken chow mein was via Emery.

What is Emery?

A. I believe that that is the airline. It must be a freight airline, because it says "Emery Freight," and it was shipped on that date.

Q. Do you recall that these were shipped by air?

A. Yes, we requested a rush shipment by air, and then the balance of the shipment, as is shown there, P.I.E., was shipped by truck, I believe.

Q. Is this date of January 15, 1954, as stated on these invoices, the date that you recall for the delivery of those labels by air? A. Yes, sir.

Q. Why did you have them delivered by air?

A. Well, you see, the National Cannery Convention is held in Atlantic City every other year, and

(Testimony of Jeno Francisco Paulucci.)

this year it was held in Atlantic City, and we were going to announce these new divider packs to our brokers at a dinner there, and we [119] also, of course, wanted to show them the products there, and cut them for them, as well as to customers who came to the convention. So it was all important that these be shipped, so that we could have them for the convention, which I believe started January 19th.

Q. And that accounts for the small amount of 1,000 labels on this air shipment, does it?

A. Yes, sir, that is correct. 1,000 would take care of approximately, I guess, 80 cases, and that was enough for our purpose, to get the trade and the brokers, and everybody acquainted with these products, with an all-out dinner that we have there, and announcement, and so forth. And then we needed them for trade releases to the various trade papers, and so forth, so the labels went for that purpose also. [120]

\* \* \* \* \*

Q. (By Mr. Lewis E. Lyon): In a general way, what success, if any, have you had with these taped pack sales?

A. Most excellent. Our business actually has been [121] referred to as one that has been built on tape.

Q. Well, since you developed this tension method of taping, has your business increased in the sale of those taped cans, or decreased?

A. Considerably increased.

(Testimony of Jeno Francisco Paulucci.)

Q. By considerably, give me a general idea. Has it doubled?

The Court: Give us a number, either in number of items sold, or in dollar value, but just in general.

Mr. Lewis E. Lyon: One or the other.

The Court: Just in general terms.

The Witness: Then may I refer to my notes?

The Court: Yes.

Mr. Lewis E. Lyon: Yes, you may.

The Witness: From approximately \$2,000,000—this was prior—well, during that 1951 period, to approximately we expect \$10,000,000 this year.

Q. (By Mr. Lewis E. Lyon): What was it last year? I don't want expectations.

A. Last year it ran over six million. Our rate of increase now is running approximately 40 per cent. Well, the volume—the way it is running, it will run around approximately ten million this year.

Mr. Lewis E. Lyon: I see. That is all. You may cross examine. [122]

### Cross Examination

Q. (By Mr. Harris): Mr. Paulucci, what was your sales volume of taped products in 1949?

A. Mr. Harris, I was talking about total volume.

Q. Total volume of product?

A. Yes, sir.

Q. What was your total volume in 1949?

(Testimony of Jeno Francisco Paulucci.)

A. I am speaking of fiscal years. Our total volume in 1949 was approximately 1,250,000.

Q. What was your total volume in 1950?

A. Approximately two million.

Q. And in 1951 it was two million?

A. No, sir. In 1951, as I mentioned, the fiscal year ending—the ending of the fiscal year of 1951 was approximately three million and a half.

Q. When does your fiscal year end?

A. The 1st of June. Well, in that instance it was the 1st of June of 1952.

Q. And in 1949, approximately what percentage of your gross volume of sales was in taped product?

A. That I cannot tell you.

Q. You were selling other products, were you, in 1949?

A. Yes, surely.

Q. In 1950 what was the percentage of your sales of [123] taped product in proportion to the sales of the other products?

A. I do not know.

Q. In '51?

A. I do not know.

Q. In '52?

A. I do not know.

Q. In '53?

A. I do not know.

Q. In '54?

A. I do not know.

Q. Your volume of taped product in 1949, however, was very substantial, was it not?

A. Would you say substantial—comparatively to what?

Q. Well, you sold 1,000 cases of taped product in 1949?

A. Yes, we sold more than 1,000 cases.

(Testimony of Jeno Francisco Paulucci.)

Q. And more than 1,000 cases in 1950, didn't you?      A. Yes, sir.

Q. And more than 1,000 cases in '51?

A. Positively.

Mr. Harris: I produce two photographs, which I ask be marked as Defendant's Exhibits A and B, for identification.

The Clerk: Defendant's Exhibit A is a picture, a close-up of hands taping cans. Defendant's Exhibit B is a photograph [124] of several women taping cans.

(The documents referred to were marked Defendant's Exhibits A and B, for identification.)

Mr. Harris: I exhibit these to opposing counsel.

The Court: All right.

Q. (By Mr. Harris): Mr. Paulucci, I hand you Defendant's Exhibits A and B, for identification, and ask you do those photographs show an ordinary commercial operation in the plaintiffs' plant?

Mr. Lewis E. Lyon: That is objected to on the ground it is indefinite as to time, your Honor.

Mr. Harris: We will find that out in a minute.

The Court: He can ask about time. Overruled.

The Witness: Well, Mr. Harris, these are our products, and I don't recognize any of the girls. Our shipping cases are there, so I would presume these photographs were taken in our plant, yes.

Q. (By Mr. Harris): Do you know when those photographs were taken in your plant?

A. No, sir.

(Testimony of Jeno Francisco Paulucci.)

Q. Do those photographs show the production line in your plant at the present time, as it is now in your plant?      A. No, sir.

Q. Do they show the production line as it has been at any time in your plant? [125]

A. Well, it is very similar. It is very similar as it was at one time.

Q. What time was that, Mr. Paulucci?

A. Well, right after we moved into the new plant. It looks like it. Just a minute. I am trying to orient myself here. The difficult part in my trying to identify these for you, counsel, is the fact that on these cans we have neither the "one cent" nor the "2-in-1," and, therefore, it is very difficult for me to place any approximate date as to when these were used. But from the looks of the cartons there, I presume that it was after we moved into the new plant.

Q. Referring you to——

A. Yes, I am quite sure that this was after we moved into the new plant.

Q. Referring you to Exhibit A, for identification, I note in the lower left-hand corner of the photograph there appears to be a circular object with the word "Scotch" on it. Would that be Scotch tape, or the Scotch brand tape?

A. It could very well be. I mean, that is the box the Minnesota Mining uses to ship the tape in, yes.

Q. When did you stop purchasing industrial



(Testimony of Jen0 Francisco Paulucci.)

tape for this taping operation from Minnesota Mining & Manufacturing Company?

A. I don't recall that at all. I do—I would like [126] to enlighten you, that these containers are used for many other purposes other than for tape around there. They might be used for stickers, and such, so that that would not have a bearing as to whether the tape at that time that was being used was Minnesota Mining tape.

Q. Referring you to Defendant's Exhibit A, for identification, the operator who has the two hands in the lower right-hand corner of the photograph, she is taping two cans together, is she not, manually? A. Yes, she is.

Q. And in doing that, she is using an angle iron or V-shaped trough to hold the cans?

A. She has her hand over it, but, evidently,—yes, we see one end over here, and I would say yes.

Q. By "over here," you are referring to Defendant's Exhibit B, are you?

A. That is correct.

Q. And in both views she is also employing a tape dispenser, in which the tape is held on a roll; is that correct? A. That's correct.

Q. And in Exhibit A the operator is either just about to, or just has got the tape off on the cutter on the dispenser; is that right?

A. It is very difficult—she either has, or is about [127] to, as you say, because it is very close to the cutter, and she has tape on her finger, so it

(Testimony of Jeno Francisco Paulucci.)

is very difficult to say whether it is below the cutter or parallel to it.

Q. And referring to Exhibit B, for identification, as early as 1949 the plaintiff, Chun King Sales, Inc., was taping cans by the use of, first, a trough, a V-shaped trough or angle iron, similar to that shown in that exhibit, was it not?

A. Yes, sir.

Q. And by a tape dispenser such as is shown in that exhibit? A. Yes, sir.

Q. And in the same relationship?

A. Well, I would say so. I mean, there is a matter of distance here, which has fluctuated at times, but I would say yes.

Q. And that equipment was used in 1949 to tape two cans together in end-to-end relationship, wasn't it?

A. I wouldn't say this equipment here, Mr. Harris, but the equipment you have described, yes, sir.

Q. That was done in the ordinary course of commercial operation of your business, was it not?

A. Yes.

Q. And the same thing is true of the year 1950, is it not? In other words, you were using equipment such as you and [128] I have described during the year 1950 commercially there at your plant?

A. As you have described, using an angle iron or some kind of a trough, as you call, and a dispenser.

Q. And you were using similar equipment there in 1951, prior to July, were you not?

(Testimony of Jeno Francisco Paulucci.)

A. Yes.

Q. And starting in 1949, how did the girls use that equipment to tape cans together?

A. By wrapping the tape around it.

Q. Well, how did they use it? With reference to the views in these photographs, just tell the court how the girls went about taping two cans together in 1949.

A. As I remember it, the lady here would take the tape, she would put the two cans into the angle iron, she would take the tape and loosen it from the dispenser over to the head of the two cans, or the two beads, and then she would loosen the tape, and just rotate or roll the cans into the tape and tab it off.

Q. Did she hold the tape to put any tension on it as she was rolling the cans?

A. She did not.

Q. How did the operators in 1949 get the tape to go on the cans smoothly?

A. It was not smooth. [129]

Q. Was it ruffled?

A. I would say that that is a good word for it, yes, sir.

Q. The edges were ruffled?

A. Which edges, sir?

Q. The edges applied to the walls of the can?

A. Not only the edges. The edges would not get ruffled so much as the tape itself around the—you are talking about the edges. I am talking about the tape itself would become ruffled.

(Testimony of Jeno Francisco Paulucci.)

Q. Yes, I am talking about the tape itself, too, but I am talking about what part of the tape would become ruffled.

A. Well, if you will show me a piece of tape, I will be happy to show you.

The Clerk: Here is a piece of Scotch tape here.  
(Handing to witness.)

The Witness: Here—this is what they used.

Q. (By Mr. Harris): I show you, Mr. Paulucci, Plaintiffs' Exhibits 22 and 23. Do those exhibit ruffling, such as you have referred to?

A. The ruffling I am referring to is more in here (indicating), in the centers of the tape, where, if tape is put on kind of loose, in a hurry, the roll of the cans will go faster than—it will just ruffle the tape, you know, like a ruffle on a dress; not so much like this. This has [130] had tension applied to it in certain spots and there are ruffles in here. Here are the ruffles in here, you see (indicating).

Mr. Harris: The witness is referring on that to the tape on Exhibit 23.

Mr. Lewis E. Lyon: Let's mark on Exhibit 23 the point which you have referred to as the ruffles. Take a pen here and mark it.

The Witness: It is in here (indicating).

Mr. Lewis E. Lyon: That is right here?

The Witness: Where the big ruffles are through the center, not around the edges; like in here, you see here (indicating), but through the center.

The Court: "Here" and "here" does not mean

(Testimony of Jeno Francisco Paulucci.)

anything. He is merely trying to mark the place that you designated.

The Witness: I see.

Mr. Lewis E. Lyon: I am going to mark an "A," if I can get this pen to work.

Mr. Schroeder: Take a hard pencil, Mr. Lyon.

The Court: Maybe a crayon will work.

Mr. Lewis E. Lyon: I will mark an "A" on the can, and I am going to draw a line from that "A" to the center of the tape at that point. Is that where you mean?

The Witness: I would say so, yes, sir. [131]

\* \* \* \* \*

Mr. Lewis E. Lyon: Your Honor, at this time I have the photographs here that were taken of the machine, which I have had marked Plaintiffs' Exhibits 21A to 21-G, inclusive, there being seven of them, and I will offer them in evidence, as they are marked, as Exhibits 21-A to 21-G, inclusive.

Mr. Harris: We would like, if the court please, to examine the photographs before they are offered.

Mr. Lewis E. Lyon: I have a set of the photographs for you, too.

The Court: We will both look at them.

Mr. Harris: Perhaps we can look at them in the recess, and not stop now.

The Court: Yes. Let's go on with the examination.

(The documents referred to were marked Plaintiffs' Exhibits 21-A to 21-G, inclusive, for identification.) [133]

(Testimony of Jeno Francisco Paulucci.)

Q. (By Mr. Harris): Mr. Paulucci, before the noon recess you had finished testifying generally, I believe, to the method of the manual taping operation that was done by the plaintiff company, your company, during the year 1949. Was the same method used by it during the year 1950?

A. Yes.

Q. And was the same method used by it during the year 1951?

A. Not the total year, no sir.

Q. The first part of the year it was, however?

A. Up to the time we moved into the new plant, yes, sir, which was approximately August, of 1951.

Q. Will you please describe the method which was used by the plaintiff company, Chun King Sales, Inc., to tape cans together after you moved to the new plant in August of 1951?

A. We applied tension to the tape, so that it went around the contours of the beads in such a way as to touch the side walls and create practically a weld between the two cans.

Q. How much tension did you apply to the tape?

A. Sufficiently to go around the contours of the beads and to do as I just described.

Q. Can you state how many pounds of pull you applied to the tape to apply it that way? [134]

A. No, sir.

Q. The fact is, is it not, Mr. Paulucci, that the only difference between your taping operation after August of 1951, and that engaged in by your com-

(Testimony of Jenio Francisco Paulucci.)

pany prior to July of 1951, was that you put more tension on the tape after August, 1951, than you did earlier?

A. That is not true, Mr. Harris.

Q. What are the facts?

A. As stated to you, Mr. Harris.

Q. Were there any differences in the operation other than the amount of tension applied to the tape?

A. Basically, the amount of tension applied on the tape.

Q. That was the only difference?

A. Yes, sir.

Mr. Harris: I produce two photographs, which I ask be marked as Defendant's Exhibits C and D.

The Clerk: The picture of a woman operating taping of Chun King cans is identified as Defendant's Exhibit C, and a photograph of a pair of hands operating a taping machine with Chun King cans is identified as Defendant's Exhibit D.

(The documents referred to were marked Defendant's Exhibits C and D, for identification.) [135]

\* \* \* \* \*

Q. (By Mr. Harris): Mr. Paulucci, I show you Defendant's Exhibits C and D, for identification, and ask you if you recognize those as being photographs of a taping machine operated in the plaintiffs' plant at Duluth?

A. Yes. I don't know which exhibit it is, but this one here——

(Testimony of Jeno Francisco Paulucci.)

Q. You are referring to Exhibit C?

A. Yes, Exhibit C. Well, of course, it is very difficult for me to say whether this is in our plant, but these are our cans. Here is a shipping case that is one of ours, and these, too, are our cans, so I would say evidently it would be in our plant, but I cannot say from the pictures that it was our plant.

Q. Do you have any personal knowledge of such pictures being taken in your plant? [136]

A. I know that we had the Minnesota Mining ask for pictures, so that we could guide them more on this machine that they were trying to make for us, and possibly these were the pictures that were taken, but whether or not these were in our plant, I don't know, because I can't get this ladder, where this would fit in the particular room of the taping, or this wall over here (indicating).

Q. However, Mr. Paulucci, did you have at your plant last year a machine of that character, which you tested?

A. We tried to get a machine such as this in order to prepare for this lawsuit, but whether we got it or not, I don't know.

Q. Mr. Paulucci, you have referred in your testimony to a machine which was sent to the plaintiff company, I believe in the latter part of 1951, by Minnesota Mining & Manufacturing Company. It is a fact, is it not, that you had an earlier machine, which was sent to your plant by the Minne-



(Testimony of Jeno Francisco Paulucci.)

sota Mining & Manufacturing Company in late 1950, and early 1951?

A. Not to my memory, Mr. Harris, no.

Q. After this machine that you received in the latter part of 1951, after you had an opportunity to test that, did you receive any further taping machines from Minnesota Mining & Manufacturing Company?

A. Well, they would bring in a machine, and we would [137] test it, and they would take it back and bring it back again, and that ran into the early part of 1952, up until the time we wired them in May of 1952, and at that time we certainly severed any transactions with them so far as machines are concerned, because it was contrary to our agreement with them.

Q. That machine you are referring to is the same machine you had off and on throughout that period, is it?

A. From the latter part of 1951, as we described, up to the early part of 1952, yes, sir, the same machine with modifications, where they took it back to try to improve it.

Q. Then following the time that machine was returned to the Minnesota Mining & Manufacturing Company, did you receive from it any further taping machines?

A. Not to my knowledge. As I say, we wrote in to them, or either to the Dellenbarger people, who are their licensees, asking for a machine in order that we could prepare for this trial.

Mr. Harris: No further cross examination.

The Court: Any redirect?

Mr. Lewis E. Lyon: No redirect, your Honor.

The Court: All right, Mr. Paulucci. [138]

\* \* \* \* \*

Mr. Harris: I stipulate that these photographs accurately show the machine that was here, marked Plaintiffs' Exhibit 21.

The Court: Having seen the machine while it was here, I myself or anybody who has been in the courtroom could, [140] by looking at these, state that they seem to be correct reproductions of the machine which we had upon the press table this morning, taken from various angles. They may be received.

(The documents heretofore marked Plaintiffs' Exhibits 21-A to 21-G, inclusive, were received in evidence.)

[See Book of Exhibits.]

The Court: Now we will allow you to put this witness on out of order.

Mr. Harris: Thank you, your Honor. Mr. Cronin, will you take the stand, please.

### GREGORY CRONIN

called as a witness on behalf of the defendant, having been first duly sworn, was examined and testified as follows:

The Clerk: What is your full name, please?

The Witness: Gregory Cronin.

The Clerk: Spell the last name, please.

The Witness: C-r-o-n-i-n.

(Testimony of Gregory Cronin.)

The Clerk: Thank you.

Direct Examination

Q. (By Mr. Harris): What is your residence, Mr. Cronin? A. Bay Village, Ohio.

Q. What is your occupation? [141]

A. Sales supervisor for Minnesota Mining.

Q. Minnesota Mining & Manufacturing Company?

A. Minnesota Mining & Manufacturing Company, yes, sir.

Q. In what area?

A. In Northern Ohio, Western Pennsylvania, and the State of Michigan.

Q. Do you have any man working under you in that area? A. Yes, sir.

Q. How many? A. Eighteen

Q. How long have you been employed by the Minnesota Mining & Manufacturing Company?

A. Thirteen years.

Q. What was your position with the company in the latter part of 1949?

A. Salesman in a part of Minneapolis, and in the northern part of the State of Minnesota.

Q. In the Duluth area? A. Yes, sir.

Q. When did you start to cover the Duluth area?

A. In approximately October, 1949.

Q. In 1949. And since then have you been acquainted with the plaintiff company, Chun King Sales, Inc.? A. Yes, sir.

(Testimony of Gregory Cronin.)

Q. Do you know Mr. Jeno Paulucci, the plaintiff? [142]           A. Yes, sir.

Q. You have known him since 1949?

A. I would say possibly since '50.

Q. What was the occasion of your first becoming acquainted with the plaintiff company in 1949?

A. They purchased quite substantial quantities of colored pressure sensitive tape from Minnesota Mining.

Q. What do you mean by "pressure sensitive tape"?

A. That is a tape with a rubber type adhesive, which requires no activator such as water.

Q. Is that sometimes referred to as cellophane tape?

A. That is one of the family, yes, sir.

Q. What, to your knowledge, was that tape used for that was purchased by them through you in 1949 and 1950?

A. It was practically all used, I would say, on what they call a 2-for-1 deal, sealing cans end-to-end.

Q. Sealing cans, did you say?

A. Combining cans.

Q. Did you see that done at the Chun King plant in Duluth?           A. Yes, sir.

Q. What was the earliest time that you saw that done?

A. I would say the latter part of 1949.

Q. Did you see it done in 1950?

A. Yes, sir. [143]

(Testimony of Gregory Cronin.)

Q. In taping cans together in the latter part of 1949 and in 1950, did the Chun King Company in Duluth use any apparatus or machinery to do the taping, to assist in the taping?

A. Not machinery. They used a jig, such as—it was a piece of angle iron, and they rotated the cans in that angle iron with the tape around it.

Q. I show you the photographs, Defendant's Exhibits A and B. Does any of the equipment shown in those photographs correspond in any way to anything you saw in the Chun King plant in late 1949 or in 1950?

A. The idea is—the pictures are very, very comparable to the method that they were using in 1949, as to my recollection.

Q. Will you please describe what that method was that you saw at the Chun King plant in late 1949 and in 1950, that they were using there at the Chun King plant?

A. They were using a regular heavy duty, as we call it, heavy duty tape dispenser, which is a standard piece of equipment for us. They had that placed in front of them, rolled the cans in the channel which was several inches beyond the cutting blade of the dispenser, and would roll the machine—roll the cans, which would automatically dispense the tape, and possibly that tape could have been—I will retract that. [144]

Would you repeat that?

(The answer was read.)

The Witness: I wonder, can we just stop?

(Testimony of Gregory Cronin.)

Q. (By Mr. Harris): Well, just go ahead and give your answer, Mr. Cronin.

A. The rolling of the cans unwound the tape from the tape roller, and the rolling of the cans applied the tape to the joined cans.

Q. You mentioned a channel. What do you mean by a channel?

A. That is a sort of a trough, or a guide to hold those two cans in place, so that they would roll easily, with two metal guides on either side to hold them, you might say, laterally.

Q. From your personal observation of this operation in Duluth at the plaintiffs' plant, did the girls, the operators, I should say, or did they not put any tension on the tape, as the tape was being applied to the cans?

Mr. Lewis E. Lyon: That is objected to as leading, your Honor.

The Court: Overruled. This is what he saw there. He may answer.

The Witness: Yes, sir.

Q. (By Mr. Harris): What is your answer?

A. Yes, sir, they put tension on the tape. [145]

Q. How did they do that?

A. By holding that—rolling the cans with one hand and pulling that tape against that can as it was unrolling from the reel of tape is my recollection.

Q. What was the condition of the tape on the cans after the taping operation, in those instances which you observed personally, in 1949 and 1950?

(Testimony of Gregory Cronin.)

Mr. Lewis E. Lyon: That is objected to as leading, grossly so.

The Court: Overruled.

Mr. Lewis E. Lyon: The witness has not testified anything about 1949 and 1950.

Mr. Harris: My questions go back to 1950.

The Court: That is all right. Go ahead. You may answer.

The Witness: I would say it was formed around the bead of the can, and Chun King was always trying to get that to conform around the bead of the can, so there would be no—as was discussed earlier—any ruffling action for merchandising or appearance sake.

Q. (By Mr. Harris): Was it smooth on the cans, or was it not smooth on the cans?

A. To my recollection, it was smooth.

The Court: You were shown that operation because they were using one of your machines, or trying out one of your machines to see how it would work; wasn't that it? [146]

The Witness: Primarily, tape, with just a standardized manual type operation, yes, sir.

The Court: In other words, you were there not as a part of the general public, but you were there as a seller of tape, to whom a customer was showing the way in which he was using your tape on cans; isn't that true?

The Witness: That is right, your Honor.

The Court: All right.

\* \* \* \* \*

(Testimony of Gregory Cronin.)

Q. (By Mr. Harris): Now, Mr. Cronin, how many times in 1949 and 1950 were you in the Chun King plant observing this hand taping operation?

A. Oh, a minimum of six times, I would say.

The Court: Over what period of time?

The Witness: I would say a year and three months.

The Court: And what was the last time?

The Witness: The year 1950 you asked——

Mr. Harris: And 1949. [147]

The Court: No, no, any time. Any time prior to 1952 from 1949, to, say, the middle of 1952, May, 1952, how many times did you observe that operation?

The Witness: I would say six times a year, which would be fifteen times, possibly.

The Court: I see. You were alone at the time, were you not?

The Witness: Sometimes alone, sometimes with other men from my company.

The Court: From the company?

The Witness: Yes, sir.

The Court: From your company or their company?

The Witness: Always with somebody from their company. Occasionally with somebody from our company.

Q. (By Mr. Harris): In those photographs which you have before you, Defendant's Exhibits A and B, if you will note, one or more of the girls in those photographs has some sort of white mate-



(Testimony of Gregory Cronin.)

rial on her fingers. Do you know what that was? Did you ever see that done at the time you were there at the Chun King plant in 1949 and 1950, girls wearing tape or other material on their fingers?

A. Yes. Occasionally the tape would break. By pulling that back against the combination deal, which was in front of them, but still with the dispenser which had a cutting knife closer to them,—by pulling it against it, they would cut [148] and scratch their fingers.

Q. Did you during the year——

The Court: Tape has a sharp edge. Even if you are taping paper, you can cut yourself very badly, you know, with just a piece of Scotch tape.

The Witness: This was coming back against the dispenser blade, which was causing the cutting.

The Court: I see.

Q. (By Mr. Harris): Was there a knife in the dispenser itself?           A. Yes, sir.

Q. And that is the blade that you are speaking of, is it?

A. That is right, a serrated blade. \* \* \* \* \*

Q. (By Mr. Harris): Mr. Cronin, when did you first have any experience with sticky resilient tape, pressure sensitive tape as you call it, being used on combination deals, to tie together two packages of a product, or two separate products?

A. I myself in 1944, and every year thereafter.

Q. Will you please give some examples of that,

(Testimony of Gregory Cronin.)

briefly?      A. Pillsbury Flour Mills.

Q. What were they taping?

A. Cake Mix, along with pan scrapers, plastic can pan scrapers.

Q. To your knowledge—excuse me, go ahead,—anyone else, to your knowledge, using this on combination deals?      A. General Mills.

Q. What were they selling?

A. They were selling breakfast foods, Wheaties and Cheerios. They fastened two packages together, along with a comic book, held together by Scotch tape. [158]

Q. Anyone else?

A. Russell Miller Milling, when they went into their cake mix flours had five-cent deals on the cake mix flour.

Q. When did General Mills merchandise products in this manner?      A. In 1945.

Q. When did Pillsbury merchandise products in this manner?

A. 1944, and practically every year thereafter.

Q. When did Russell Miller, to your knowledge, first merchandise products this way?      A. 1946.

Mr. Harris: That is all. You may cross examine.

#### Cross Examination

Q. (By Mr. Lewis E. Lyon): All of this merchandise that you have talked about, this flour, these Wheaties, these comic books tied to packages of Wheaties, and forms of cake mixes,—they were in cardboard boxes, were they not?      A. Yes, sir.

(Testimony of Gregory Cronin.)

Q. Now, no tin cans were ever tied together before your experience with Chun King, were there?

A. No, sir.

Q. Just a moment, please. You have been in court all [159] morning today, and all day yesterday, have you not? A. Yes, sir.

Q. And you heard the testimony of Mr. Paulucci? A. Yes, sir.

Q. You heard his testimony about the development of a machine for the Chun King Company?

A. Yes, sir.

Q. And that he asked you to come in to discuss the matter with him, when you said that you thought that you might build a machine to carry out their method?

A. I believe that could be correct, yes, sir.

Q. And he told you that he wanted to have nothing to do with it unless you would keep that matter in confidence for the Chun King Company, did he not?

A. That is against—yes, I heard him say that, yes, sir.

Q. And he said, "If you will do that, you can go ahead"? A. I heard him say that, yes, sir.

Q. And that was true, wasn't it?

A. I don't believe that can be true at all, due to the fact that Minnesota Mining will not operate on any exclusive arrangements with anybody, sir.

Q. Did you, as an agent of Minnesota Mining, make that fact known to Mr. Paulucci at that time?

(Testimony of Gregory Cronin.)

A. I certainly do not recollect anything like that.  
[160] I could——

Q. Now, on cross examination,—I mean on your examination, when you were trying to describe the hand operation, you were speaking of the girls and the manner in which they handled the tape, and you stated at some time or other that the tape was pulled off the roll by rotating the cans and then you stated the tape could have been, and you meant to say the tape could have been cut first; isn't that correct?

A. No, sir, I did not.

Q. You had seen it cut first, had you not, at the Chun King Company plant?

A. No, sir.

Q. You never saw it cut first at the Chun King Company plant?

A. No, sir.

Q. You never saw the tape, the Minnesota Mining tape, cut to definite lengths and used in taping the cans together?

A. Before application on them?

Q. Before application on the cans.

A. Absolutely not, sir.

Q. You never saw the girls put the tape on the can, then pull the tape off from the roll, cut the tape, and then wrap the rest of the tape around the can?

A. No, sir.

Q. You never saw that? [161]

A. No, sir.

Q. Would you say that wasn't done?

A. I would say that would be impossible, to get two cans to hold together in that manner, without tension.

Q. How many times during the year 1952 were

(Testimony of Gregory Cronin.)

you in the Chun King plant?           A. Possibly six.

Q. And during what period of time was that?

A. The first half of the year.

Q. The first half of the year. And you testified with reference to your observation of the packing operation in Chun King, that they were packing the—while you observed it—the 2-in-1 combination offer; is that correct?           A. The 2-for-1, yes, sir.

Q. And that is as illustrated by this Exhibit 19 in front of you?

A. Cans similar to that, yes, sir.

Q. Well, I am asking you, was it these cans?

A. I don't know if it was those cans, sir.

Q. Did it have the 2-in-1 label on it?

A. It seemed like they were putting the 2-in-1 label on by hand. It wasn't printed on the label.

Q. Is that the observations that you have testified to about this taping operation, that they were operating on those 2-in-1 labeled cans? [162]

A. Will you repeat that, sir?

Mr. Lewis E. Lyon: Read the question, please.

(The question was read.)

The Witness: On a two-can deal.

Q. (By Mr. Lewis E. Lyon): With the label 2-in-1 on the can?

A. When that was imprinted on their label, I have no idea, sir.

Q. And that is what you saw, when you saw the cans being taped together, isn't it?

A. They had labels that they applied to those cans after their taping job took place.

(Testimony of Gregory Cronin.)

Q. What you mean is they would label these cans after they were taped together?

A. They had labels there at the end of the line, yes, sir.

Q. The cans were labeled after they were taped together?

A. To the best of my recollection, yes, sir.

The Court: I don't know whether the witness understands labeling.

Mr. Lewis E. Lyon: Labeling means putting, which is what we are talking about, putting this paper label around the can.

The Court: Yes.

Q. (By Mr. Lewis E. Lyon): And that is what we are both [163] talking about, isn't it?

A. I am talking about that 2-for-1 label that you discussed sir, and I pointed to this (indicating). This was a special label, sir, this one right here, sir, (indicating).

Q. Well, this is all in one label, is it not?

A. Now it is, yes.

Q. Were they putting that 2-for-1 label on the can?

A. To the best of my knowledge, no, I did not see that. The labels were all on the cans, and the taping was done thereafter.

Q. The labels,—then you saw this 2-in-1 label?

A. Yes, sir.

The Court: That is the point that isn't clear to me, Mr. Lyon.

(Testimony of Gregory Cronin.)

Mr. Lewis E. Lyon: That is the point I am trying to get clear.

The Court: Are you talking about this long piece of paper that goes around the cans, in telling us that this was not on the cans that you saw tied together, or are you telling us that they had small labels they put on after they taped them together?

The Witness: No, sir. No, sir.

The Court: What are you telling us?

The Witness: I am trying to tell the court that they had these cans labeled. They had this can labeled with this [164] label. They would then put this around this can, after this was pre-labeled, but then they would put a sticker on.

The Court: Oh, another sticker on top of that?

The Witness: Yes, sir.

The Court: Of some kind?

The Witness: Yes, sir.

The Court: I see. Then you are talking about two operations. One label that was on around the can——

The Witness: That's right.

The Court: ——which was there before they taped it?

The Witness: Yes, sir.

The Court: And then after they taped them, they put on another sticker?

The Witness: Yes, sir.

The Court: Which corresponded to what is now the printed——

The Witness: The 2-for-1.

(Testimony of Gregory Cronin.)

The Court: —the printed label; is that it?

The Witness: Yes, sir.

The Court: That was superimposed? Is that a difficult word?

The Witness: I believe that is right, your Honor.

The Court: They superimposed it. That means to put over something else. Then that is the idea.

Q. (By Mr. Lewis E. Lyon): And this was being done at all of these times that you say you were in the Chun King [165] plant?

A. I believe they were done all the time, yes, sir.

Q. Just the way you have testified to?

A. Yes, sir.

The Court: All right. There is one question I want to ask in order to let you clarify, if you can, an answer that you gave to a leading question by Mr. Lyon in regard to something being said about secrecy, or something like that. I am not concerned with that particular question, but what I want to get from you in a direct sense, if I can, is this:

During all this time you were being shown these machines, you were trying to devise for them a mechanical method to apply the tape to two cans, to take the place of the manual method that they had followed; isn't that true?

The Witness: Practically from the beginning of 1950, we went to work on machines——

The Court: That is right.

The Witness: ——to try to do their job mechanically.

The Court: Mechanically, instead of manually?



(Testimony of Gregory Cronin.)

The Witness: Yes, sir.

The Court: By mechanically, you mean by machines with a minimum of labor. Of course, that also requires somebody, but instead of what we call in patent law the complete manual operation?

The Witness: You are right, your Honor. [166]

The Court: And during this entire period, what you were doing is trying one machine after another to convince them that it could be done economically and—well, “economically” is the word.

The Witness: That is right, your Honor. That was a part of the reason for the calls, yes, sir.

The Court: What?

The Witness: That was a part of the reason for the calls, yes, sir.

The Court: And that was the reason for your watching the operation, wasn't it?

The Witness: A part of the reason, yes, your Honor.

The Court: What was the other reason? You say a part. The reason I am asking you that is because you seem to attach some significance to the part.

The Witness: We are always interested in how our tape is performing in the present application.

The Court: You were also interested in the product that you were selling, which is one of your main products, and that is Scotch tape, for which you have a patent, trademark, and everything else, including for the word “Scotch”?

The Witness: That is true.

(Testimony of Gregory Cronin.)

The Court: I know, because I have protected you right here in this court.

Q. (By Mr. Lewis E. Lyon): Now, Mr. Cronin, do you know [167] when these photographs, Exhibits A and B, for identification, were taken?

A. I have no idea, sir.

Q. Were you present? A. No, sir.

Q. Did you ever see the particular operation portrayed in Exhibits A and B?

A. Either exact or quite similar?

Q. Exact.

A. Either exact or very similar ones.

Q. Do you know in what plant of the plaintiff, Chun King, that these photographs were taken?

A. I do not, sir.

Q. Do you recognize the plant?

A. I do not, sir.

Q. Do you know anything about the development of a conveyor for feeding these machines—

A. I do not, sir.

Q. —for carrying out this operation?

A. I do not, although we might have discussed it.

Q. Do you recall having discussed with Mr. Paulucci the proposition that you thought that Minnesota Mining could aid in the production of a conveyor which would help in carrying out this operation?

A. We do not usually talk about anything—

Q. I didn't ask you about usually.

A. I do not recall, sir.

Q. You have no recollection of any such con-

(Testimony of Gregory Cronin.)

Q. Were you present in the Chun King plant, in either plant, at any time when photographs were taken?

A. I do not recall any time when photographs were taken, sir.

Q. Do you recall a conversation with Mr. Paulucci, or any other person in the Chun King plant, where permission was given to your organization to take photographs for use in conjunction with the development of this machine for Chun King?

A. I recall having conversations with Mr. Chun King relative to photographs. Whether it was on the machine, I do not recall, but it was, naturally, to further our product, plus showing unusual uses for tapes.

Q. Did Chun King ever give you permission to use any photograph for any purpose other than in conjunction with their own business?

A. We would not take pictures just for——

Q. Just answer the question, please.

A. Will you repeat that, sir?

The Court: Read the question, please.

(The question was read.)

The Witness: I do not know. [169]

Mr. Lewis E. Lyon: When was the last——

The Court: You are not in the habit—you seemed to hesitate—you are not in the habit of taking photographs of what might be secrets of one client, and passing them on to the other, so that you can sell tape, are you?

The Witness: Absolutely not, your Honor.

(Testimony of Gregory Cronin.)

The Court: You would not consider that ethical, to do that?

The Witness: Absolutely not.

The Court: Then why did you hesitate to give that answer to the question, as to whether they gave you permission or not? Did they?

Well, you took photographs. What did you use them for?

The Witness: To use it for our own purposes.

The Court: Yes, for their own purposes.

The Witness: We would not take pictures just for their own benefit, sir. We would take pictures with the idea of showing it in trade magazines, the packaging trades.

The Court: As a use?

The Witness: Yes, sir, as a tape use.

The Court: But not for the purpose of disclosing the methods that may be a trade secret, whether patented or not?

The Witness: That is right.

The Court: I want to find out what kind of ethics you follow, you know. [170]

The Witness: We would not show any application, or any means of application, unless we had the sanction.

The Court: You had the sanction of the——

The Witness: Yes, sir, of the company.

The Court: So that, while you do not remember being given permission,——

The Witness: That is right.

The Court: ——you yourself would not ordi-

(Testimony of Gregory Cronin.)

narily take pictures of instruments, and so forth, to pass them on to the trade? You were merely interested in knowing and having photographic representations of an additional use for Scotch tape?

The Witness: That is right, sir.

The Court: You are also a manufacturer of machinery; isn't that true?

The Witness: That is to facilitate, shall we say, the use of some of our Scotch tape.

The Court: In fact, that is why you have the word "Mining" in your title? Scotch tape isn't your only product, is it?

The Witness: "Mining," that would be quite a long story, your Honor. If you have two days,—I don't want to be facetious, but the "Mining" has no reference to our company, hardly, at present.

The Court: All right. [171]

Q. (By Mr. Lewis E. Lyon): Were you present and still employed by Minnesota Mining & Manufacturing Company when they received a wire from Mr. Paulucci, which you heard him testify about, protesting about your showing the machine or making a claim that the machine was in use by the Chun King Company, and asserting that fact to other of your potential customers?

A. I don't recall it, sir.

The Court: You will have to show him that.

Mr. Lewis E. Lyon: If you don't recall it——

The Court: Show him the wire. Of course, he may not be one in authority.

(Testimony of Gregory Cronin.)

Mr. Lewis E. Lyon: That is right.

The Court: I do not know. He has a right to see it, in order to say.

Q. (By Mr. Lewis E. Lyon): While they are looking for the wire, don't you remember discussing with Mr. Paulucci the fact of your exhibiting this machine in a trade show, and the fact that he had sent that wire to your company protesting it?

Mr. Harris: Excuse me. If the court please, which machine is this? We have been talking about three machines here.

Mr. Lewis E. Lyon: Any one of the machines.

The Witness: I don't recall, sir. Any machine of our [172] manufacture, we would feel the customer has no right to tell us whether we can show our machines or not.

Mr. Lewis E. Lyon: Just answer the question, please. That is not the question I asked you.

The Court: Read the question.

(The question was read.)

The Witness: I do not recall either one, sir.

The Court: All right.

Q. (By Mr. Lewis E. Lyon): You recall no discussion with Mr. Paulucci at all?

The Court: He has answered that several times. Let's go on.

Mr. Lewis E. Lyon: He has both of them.

The Court: In view of the telegram, and he has got them both, he says he doesn't remember it. So let's go on from there.

Let me ask you this question: Did anyone in

(Testimony of Gregory Cronin.)

authority, anyone in authority in your company, ever inform you that Mr. Paulucci had objected to any claims being made by you as to the use of a particular machine by his company?

The Witness: I don't recall that, your Honor.

The Court: You don't recall it. That really should foreclose the inquiry.

Mr. Lewis E. Lyon: Yes, if he has no knowledge of any of it. [173]

The Court: If he has no knowledge, and if you want to produce the wire later, all right, but there is no use to take time. I don't think seeing the wire would refresh his recollection,——

Mr. Lewis E. Lyon: No.

The Court: ——because he said he never saw it, and that nobody ever called his attention to it. Is that right?

The Witness: That is right, sir.

The Court: All right. Let's get to the next topic, if any.

Mr. Lewis E. Lyon: Just one moment, please. Let me see Exhibits A and B. please.

(The photographs were handed to counsel.)

Q. (By Mr. Lewis E. Lyon): Are you familiar with the records of Minnesota Mining & Manufacturing Company, and their photographic records? Have you seen them?

A. Am I familiar with Minnesota Mining photographic records?

Q. Yes. A. In regard to what, sir?

Q. Well, in regard to this particular matter.

(Testimony of Gregory Cronin.)

The Court: Show him that. That is too broad a question. He is not in charge of that. He is only one salesman.

Q. (By Mr. Lewis E. Lyon): I will show you Exhibits A and B, and I call your attention to the fact that they carry [174] a file number, A11705-1, and the next A11705-4. A. Yes, sir.

Q. Is that a Minnesota Mining & Manufacturing Company number, to your knowledge?

A. I have no idea. I am not in the photographic department.

Mr. Lewis E. Lyon: Let me see Exhibits C and D.

(The photographs were handed to counsel.)

Mr. Lewis E. Lyon: While this witness is still on the stand, I would like to have produced the balance of this series of photographs, which are the missing numbers of -2, -3 and -6.

Mr. Harris: We don't have them, and we have never seen them.

Mr. Lewis E. Lyon: Do you assert that such were not taken?

Mr. Harris: No, I have no knowledge that they were or were not.

The Court: All right.

Q. (By Mr. Lewis E. Lyon): Do you have any idea, Mr. Cronin, when these photographs, Exhibits C and D, were taken?

The Court: Ask him, first, if he has ever seen them?

Mr. Lewis E. Lyon: He has already been asked that on direct, your Honor.



(Testimony of Gregory Cronin.)

The Court Oh, I see. I am sorry. That is my error. [175] I withdraw the question. He merely denied that he saw the inscription and knew what that meant.

The Witness: Yes, I have seen these pictures.

The Court: I am sorry.

Q. (By Mr. Lewis E. Lyon): Were you present when they were taken?

A. I am confident that I was, sir.

Q. When?

A. Oh, it probably could have been in '52.

Q. What time in '52? A. The early part.

Q. Were these pictures taken at the same time as Exhibits A and B were taken?

A. I don't recall the ones in A and B,—having seen those pictures, sir.

Q. Well, I just had them before you. These are Exhibits A and B. My question is, were all four of these pictures taken at the same time?

A. I don't recall these pictures being taken. I do recall the picture of this young lady on the machine.

Q. How long were these pictures taken before you were transferred to the Ohio District?

A. I would say this was taken in the Winter of either later '51 or '52, and I was transferred in July of '52.

Q. Who was present when these pictures were taken? [176]

A. Well, one of our photographers.

(Testimony of Gregory Cronin.)

Q. What time did you actually undertake your duties over in Ohio? A. July 1, 1952.

Q. Did you move over there at any time earlier than that?

A. I was there around Decoration Day in '52 for a few days.

Q. And at any other time? A. No, sir.

Q. During the transition of your duties from the Northern Minnesota District over to Ohio, did you carry on your duties in one place and stop, and then go over to the other?

A. Yes, sir, although I was only in Ohio for several days prior to July, 1952.

Q. Then you ceased—what I am trying to establish is the latest date in your mind that you were in the Chun King plant. Can you give me that?

A. Oh, possibly June, 1952.

Q. And you were never there after that?

A. No, sir.

Q. And you have no recollection whatsoever of Exhibits A and B, but you do think you were present when Exhibits C and D were taken; is that correct? [177]

A. This looks very familiar. The operator looks very familiar. The place of the machine looks very familiar, where it is placed in proportion to the wall, and so on, the fact that it was a temporary installation here with the siding, which places it possibly shortly after their moving into this place. So I would say that I have seen this one.

Q. And by "temporary installation," you mean

(Testimony of Gregory Cronin.)

that this machine was set up, as shown in Exhibits C and D, for the purpose of making tests; isn't that true?

A. Well, we sent it up there with the idea not of tests, sir, but of permanency.

Q. Well, it was taken out, wasn't it? The Chun King organization ordered it taken out, didn't they?

A. Yes, sir.

Q. Because it didn't work is what they said, isn't it?

A. You are right, sir.

Mr. Lewis E. Lyon: That is all.

The Court: Any redirect?

Mr. Harris: Yes, if the court please.

#### Redirect Examination

Q. (By Mr. Harris): Mr. Lyon showed you Plaintiffs' Exhibit 19, and this pair of cans which has on it the label, "2-in-1 Combination offer," and so forth. Did you ever see such a label on a [178] can in the Chun King plant in 1949 or 1950?

A. I would say the labels that I saw entailed another operation, after they were taped, and that was to put a one cent sticker on it.

Q. Did you ever see that particular label at that time?

A. I certainly can't say that I have, sir.

Q. Actually, Mr. Cronin, do you know personally whatever happened to that first prototype machine that went up to Chun King in late December 1950 or early 1951?

A. I think that we utilized the most of it to build

(Testimony of Gregory Cronin.)

the second machine, the drawing from it, and, also, parts from it.

Q. Now, don't guess, please. If you don't know, say so. But do you know what happened to that machine?       A. No, sir.

Mr. Lewis E. Lyon: Let the witness answer the question. The witness was saying that he probably did.

The Court: Let's not argue. You are both arguing too much. Go ahead and answer.

The Witness: No, sir, I don't, Mr. Harris.

Mr. Harris: That is all, your Honor.

Mr. Lewis E. Lyon: What did you——

The Court: But in the last analysis through this entire period you were trying to devise a machine that would [179] do the work, and finally you did not succeed, and whatever machine you had was taken out because it didn't accomplish the results as quickly as the manual—what is the word I want?

The Witness: Applicator.

The Court: ——the manual applicator did?

The Witness: You are right, your Honor.

The Court: All right.

Mr. Lewis E. Lyon: Your Honor, so that there will be no question about it, I have the wire in question, which was an Exhibit 2 in the deposition, and so there can be no question about it, I will ask that it be marked.

The Court: Since the witness is going away, we might as well show it to him.

Mr. Lewis E. Lyon: Yes. I will show him the

(Testimony of Gregory Cronin.)

wire and ask him if he ever saw or heard of that wire.

The Witness: I recall something—some wire coming in to us relative to some complaint, I believe it was. If that is the wire, I have no idea.

The Court: All right.

Mr. Lewis E. Lyon: I will ask that this wire be marked for identification as Exhibit——

The Clerk: 29.

The Court: Have you identified where it came from?

Mr. Lewis E. Lyon: The wire is now—— [180]

The Court: I don't mean that. You say you took it from a deposition. I didn't know whether you took it from a deposition, so we will have to take it by reference.

Mr. Lewis E. Lyon: Yes, your Honor. It is a copy of an exhibit——

The Court: It looks like the original telegram.

Mr. Lewis E. Lyon: It is Exhibit B to the deposition taken May 23, 1955, of Mr. Paulucci, the stipulation in that deposition being that the exhibits could remain in the hands of the attorneys for the parties, so that although the deposition is filed here, the exhibit is still in our hands.

The Court: That is right.

Mr. Lewis E. Lyon: And the wire is a wire from Jenö F. Paulucci, Chun King Sales, Inc., to Minnesota Mining & Manufacturing Company, of May 12, 1952.

The Court: That is all right. You know, we

(Testimony of Gregory Cronin.)

would rather err in having too many identifications than having a cold record.

Mr. Lewis E. Lyon: So would I. I spent three days one time on that.

The Court: —which did not show where an exhibit came from.

Mr. Lewis E. Lyon: Yes, your Honor. I spent approximately three days looking for one.

The Court: It will be marked for identification.

(The document referred to was marked Plaintiffs' Exhibit 29, for identification.)

#### Recross Examination

Q. (By Mr. Lewis E. Lyon): One further question: I am placing before you a copy of a letter, which is Exhibit F to the same deposition of Mr. Paulucci, the letter being dated October 16, 1951, which on its face is addressed to Mr. G. C. Cronin, Minnesota Mining & Manufacturing Company, Tape Division, 367 Grove Street, St. Paul, Minnesota, and in that letter it states:

"If you will give us some definite information as to the time when we can expect our first tape machine,"—

I will ask you if you received the original of that letter? A. Yes, sir, I would say I did.

Mr. Lewis E. Lyon: I will ask that this letter be marked in evidence as the plaintiffs' exhibit next in order, which will be Exhibit 30.

The Court: It may be received.

(The document referred to was marked

(Testimony of Gregory Cronin.)

Plaintiffs' Exhibit 30, and received in evidence.)

Mr. Lewis E. Lyon: That is all.

Mr. Harris: I just wanted to ask a question about this last letter, your Honor. [182]

The Court: All right. All I want is the date of it.

The Clerk: The date of this letter is October 16, 1951, from Chun King Sales to Mr. G. C. Cronin.

The Court: All right. All I wanted is the date.

### Redirect Examination

Q. (By Mr. Harris): Mr. Cronin, I show you this letter, Plaintiffs' Exhibit 30. Does that change your recollection in any way as to your testimony with regard to a machine being delivered there late in December 1950 or early in January of 1951?

Mr. Lewis E. Lyon: That is objected to as leading, your Honor.

The Court: Overruled. That is all right.

The Witness: No, sir, it does not change any testimony.

Q. (By Mr. Harris): What did that mean to you, when he said "The first machine" in that letter?

A. That means the first machine which would mechanically put the tape around the bead of two cans to make a combination deal.

Q. Did or did not the first machine that went up in December 1950 or January 1951—

Mr. Lewis E. Lyon: I object.

The Court: That is cross examination of your own witness. You can't do that. [183]

(Testimony of Gregory Cronin.)

The Witness: You say the first machine?

The Court: I am willing to have you refresh his recollection, but being disappointed in what he has testified to, you can't do that. He is still your witness.

Mr. Harris: That is correct, your Honor, and I still wanted to refresh his recollection.

The Court: It isn't doing it, and what you are doing is to argue with your own witness to change the implication from his previous testimony, which is not proper,——

Mr. Harris: Very well.

The Court: ——unless you announce you are taken by surprise, and you want to impeach him, you want to impeach your own witness.

Mr. Harris: If there is any implication here that there wasn't a machine supplied earlier, I want to correct that.

The Court: I am not determining what implications there are. I know what you are trying to do, and what you are satisfied with, but you cannot do it in that manner.

Mr. Harris: Very well. That is all, your Honor.

Mr. Lewis E. Lyon: That is all.

The Court: All right. Step down. You can go home now. You are excused.

(Witness excused.) [184]

\* \* \* \* \*

The Court: All right, gentlemen, call your next witness.

Mr. Lewis E. Lyon: Mr. Hyun, please.



The Clerk: Under Rule 43(b), Mr. Lyon?

Mr. Lewis E. Lyon: Yes, called under Rule 43(b) for the purpose of cross examination.

JAISOHN HYUN

called as a witness by the plaintiffs under the provisions of Section 43(b) of the Federal Rules of Civil Procedure, and having been first duly sworn, was examined and testified as follows:

The Clerk: What is your full name?

The Witness: Jaisohn, J-a-i-s-o-h-n, Hyun, H-y-u-n.

Direct Examination

Q. (By Mr. Lewis E. Lyon): What is your occupation, Mr. Hyun? Is that pronounced right?

A. Yes.

Q. I don't like to mispronounce a person's name.

A. Food processor.

Q. Connected with what organization?

A. With Oriental Foods, Inc. [185]

Q. Are you an officer of that organization?

A. Yes.

Q. How long have you been an officer of that organization? A. Since 1946.

Q. What is your age? A. Thirty-one.

Q. Have you had the same office in that organization since 1946? A. No.

Q. What is your present office?

A. Executive vice-president and general manager.

Q. What was your office in 1946?

A. Secretary.

(Testimony of Jaisohn Hyun.)

Q. Who is the president of that organization?

A. Peter S. Hyun, Sr.

Q. He is your father? A. Yes.

Q. Where is he now located?

A. In Los Angeles.

Q. Is he here in Los Angeles?

A. I presume so. [186] \* \* \* \* \*

Q. (By Mr. Lewis E. Lyon): Now, Mr. Hyun, Jr., you were [188] also served with a subpoena in this matter, I believe, were you not? A. Yes.

Q. And in that subpoena you were requested to bring in certain things, including the machine which has already been produced, but in that subpoena you were also requested to produce drawings, if any, of that machine. Have you any such drawings?

A. I have to rely on Mr. Harris for that.

Mr. Lewis E. Lyon: Well, are there any such drawings here in response to the subpoena? [189]

\* \* \* \* \*

Mr. Harris: We have here the same drawings that were exhibited to counsel on November 17th, and of which I have made available three copies.

The Court: I am sorry. You are right. There was a jurat here, but it was service by mail. It is not a verified answer.

Mr. Lewis E. Lyon: I didn't think it was, your Honor.

The Court: No.

Mr. Lewis E. Lyon: It is an answer by counsel.

Mr. Harris: We have here a set of drawings which I exhibited to counsel for the plaintiffs on

(Testimony of Jaisohn Hyun.)

November 17th, and out of which they selected three drawings, of which we made copies and delivered them to them. Those are all the drawings that we say cover this machine here in suit, with the exception of some schematic sketches that we have made here for our case, which I shall be glad to show to counsel.

Mr. Lewis E. Lyon: I am not interested in the schematic sketches. I am interested in any drawings which are going to be asserted to be drawings of the machine in question. [190]

\* \* \* \* \*

Mr. Lewis E. Lyon: I am asking that they produce those that they say are now available, your Honor, so they can be marked, so that we can have an opportunity to examine them. I am not asking for some others that are not here.

The Court: All right. If they want them, place them in the custody of the clerk, for identification, so that they will know those are the ones you claim are the drawings. That may be done.

The Clerk: Do you want those identified as your exhibits, Mr. Lyon?

Mr. Lewis E. Lyon: They can be identified as the exhibit next in order.

Mr. Harris: I am only saying, if the court please, these are drawings of the machine exactly that was here in court. They are the only drawings we have of the machine, most nearly like the one produced in court. [191]

The Court: I am not asking you to stipulate.

(Testimony of Jaisohn Hyun.)

You tell them what you have. I am only asking you to produce what you have, and he can get additional information through your witnesses. You are not required to go beyond what your knowledge is.

Mr. Lewis E. Lyon: They can just be marked in a group as the exhibit next in order.

The Court: All right. [192]

\* \* \* \* \*

The Clerk: The group of drawings of can banding machine is identified as Plaintiffs' Exhibit No. 31.

(The documents referred to were marked Plaintiffs' Exhibit 31, for identification.) [193]

\* \* \* \* \*

Q. (By Mr. Lewis E. Lyon): Now, Mr. Hyun, does this Exhibit 32 include all of the records of the Oriental Foods Company which would establish the date of first use of any of the labels of the Jan-U-Wine products here in evidence, including Exhibits 3-A, 6-A, 7-A, 8-A, 9-A, 10-A—3-A which I have in my hand—Exhibits 24, 25 and 26, Exhibits 13, 14 and 15 which I am now exhibiting to you, Exhibits 22 and 23, and Exhibits 11 and 12?

A. I believe those particular records there apply only to four of the exhibits you mentioned.

Q. Do you have such similar records with respect to the other exhibits?

A. I have some additional, yes. In fact, if I may get my briefcase, I will get them now.

Q. Certainly.

(Testimony of Jaisohn Hyun.)

A. I have here some more that pertains to the labels. Not all of the exhibits that you have mentioned.

Q. But these pertain to some of them?

A. Yes.

Mr. Lewis E. Lyon: For this purpose at this time I will [194] ask that this additional record just identified and produced by the witness be marked as Exhibit 33, for identification.

The Clerk: 33.

(The documents referred to were marked Plaintiffs' Exhibit 33, for identification.)

Q. (By Mr. Lewis E. Lyon): I will ask you as to which one of these exhibits this Exhibit 33 refers.

A. May I examine it, because I don't know. It is quite collective.

Q. Yes. The exhibits are here and the records are here, and I would like to have you do it. You can come down, if it will be any more convenient to take the records and the exhibits and look them over.

A. May I do this by elimination and by gathering?

Mr. Lewis E. Lyon: I did not mean to instruct the witness. It is the court's duty, and I should not have made that statement.

The Witness: That information covers these four items,—these four exhibits.

Q. (By Mr. Lewis E. Lyon): You mean Exhibit 33 refers to Exhibits 13, 14, 15, and 23; is that correct?

A. Yes.

(Testimony of Jaisohn Hyun.)

Q. All right. Now, you have some other records, have you?

A. I have some others, but I haven't got those so as to [195] bring them with me.

Q. You haven't got them here?

A. They are being gathered now.

Q. They will be available, will they, on Friday?

A. Yes.

Q. All right. Now, you were also asked to produce the records showing each packing carton, and the date of initial use thereof on your beef, chicken and vegetable chow mein and chop suey. Do you have those records?

A. May I ask you, by carton, do you mean packing or shipping cases?

Q. Shipping cartons of this character, exhibited by this packing carton, so that we understand each other.

A. Yes, sir.

Mr. Lewis E. Lyon: And I will ask that this packing carton, as I have referred to it, be marked as exhibit next in order, for identification.

The Clerk: No. 34.

The Court: It may be so marked.

(The item referred to was marked Plaintiffs'

Exhibit 34, for identification.)

The Witness: I have information, but not covering that here. That also is being gathered.

Q. (By Mr. Lewis E. Lyon): But on prior packing cartons, this is? [196]

A. Yes.

Q. And have you samples of these prior packing cartons?

(Testimony of Jaisohn Hyun.)

A. I don't believe samples are readily obtainable. We haven't got any, no.

Q. You don't have them?

A. Not of all of them. We might have some of some of them.

Q. Well, can you obtain what you do have?

A. Yes, I will.

Q. And bring those in?                      A. Yes.

Mr. Lewis E. Lyon: I will ask that this set of records pertaining to the packing cartons——

The Court: Yes, may be marked for identification.

Mr. Lewis E. Lyon: ——be marked for identification. Just a moment. The clerk is having a little trouble with the last one.

The Court: He will get it.

Mr. Lewis E. Lyon: This is what?

The Clerk: No. 35. Do you want them in one?

Mr. Lewis E. Lyon: Yes. They are records he produced at one time, so put them in an envelope.

The Court: Put them in an envelope, and make them one exhibit.

The Clerk: Bundle of papers re cases marked as Plaintiffs' [197] Exhibit 35, for identification.

The Court: All right.

(The documents referred to were marked Plaintiffs' Exhibit 35, for identification.)

Q. (By Mr. Lewis E. Lyon): Now, do you have other of the records that were requested by the subpoena?

(Testimony of Jaisohn Hyun.)

A. Are there any combination packages that are called for there?

Q. You mean of this early type—so we are talking about the same thing—of this type, you mean (indicating)?

A. Yes. [198]

\* \* \* \* \*

The Court: When do you claim they began using labels imitative of yours?

Mr. Lewis E. Lyon: When?

The Court: Yes.

Mr. Lewis E. Lyon: Well, from 1951 to date. [202]

\* \* \* \* \*

### PETER SMART HYUN, SR.

called as a witness by the plaintiff under the provisions of Rule 43(b) of the Federal Rules of Civil Procedure, and having been first duly sworn, was examined and testified as follows:

The Clerk: What is your full name?

The Witness: My full name is Peter Smart Hyun, Sr. [206]

The Clerk: S-m-a-r-t is the middle name?

The Witness: Yes, sir.

The Clerk: And the last name is H-y-u-n?

The Witness: That's right.

### Direct Examination

Q. (By Mr. Lewis E. Lyon): Where do you reside, Mr. Hyun?

A. I live 2426 Marina Drive.

Q. What is your occupation?

A. I am in the canning business, Chinese food.



(Testimony of Peter Smart Hyun, Sr.)

Q. With what company? A. Oriental Foods.

Q. In what capacity are you associated with Oriental Foods?

A. I am the head of the company, so-called president.

Q. How long have you been president and head of the company? A. Ever since we started.

Q. When was that? A. 1928.

Q. Are you active at the present time?

A. Partly.

Q. What do you mean by "partly"?

A. I am semi-retired. [207]

Q. Well, do you carry on your duties as president? A. Yes, I do.

Q. I am handing you a price list carrying on its face the distinguishing notation of "Institutional Sizes Price List, December 29, 1950." I will ask you if that is your price list as of that time?

A. Yes, it is.

Mr. Lewis E. Lyon: I will ask that this price list, identified by the witness, be marked and received in evidence as Exhibit 36.

The Court: It may be received.

The Clerk: Price list of Jan-U-Wine Institutional Sizes is identified as Plaintiffs' Exhibit 36, and admitted in evidence.

(The document referred to was marked Plaintiffs' Exhibit 36, and received in evidence.)

Q. (By Mr. Lewis E. Lyon): On the back of Exhibit 36, Mr. Hyun, is pictured the products of your company; is that correct? A. Yes.

(Testimony of Peter Smart Hyun, Sr.)

Q. And the products there pictured are the products that you were producing as of that time in the institutional sizes; is that correct?

A. I believe some of those are changed, that we didn't quite make the new mat at that time, so we used old mat. [208]

Q. Well, what ones were changed, if any of them?

A. Mostly small sizes were all changed.

Q. Now, this is the institutional sizes that are shown here? A. Yes, sir.

Q. So were there any small sizes in the institutional sizes?

A. No. In fact, this is institutional price list, but we didn't have any large items, so you could see that is retail items that are printed on the back.

Q. I see. So you were offering as of December 29, 1950, the products as shown on the back of that?

A. Yes.

Q. With those labels? A. Yes.

Q. I hand you a "Consumer Sizes Price List, December 29, 1950," and will ask you if this is your price list as of that time? A. Yes.

Q. Does this also show on its back the various products? A. Yes, it does.

Q. And the labels which were used by your company as of that time? A. Yes.

Mr. Lewis E. Lyon: I will ask that this price list, as [209] identified by the witness, be marked and received in evidence as Plaintiffs' Exhibit 37.

The Court: It may be received.

(Testimony of Peter Smart Hyun, Sr.)

The Clerk: Consumer Sizes Price List of Jan-U-Wine, identified and admitted in evidence as Plaintiffs' Exhibit No. 37.

(The document referred to was marked Plaintiffs' Exhibit 37, and received in evidence.)

Q. (By Mr. Lewis E. Lyon): Now, I hand you two further price lists, one for the consumer sizes and the other institutional sizes, dated January 24, 1951. I will ask you if those are your price lists as of that date? A. Yes, I believe so.

Q. And do those show on the back the products and labels that you were offering and using as of that date? A. I don't know for quite sure.

Q. What do you mean, you don't know for quite sure?

A. I didn't make these. My sons made them.

Q. Do you know of any product or label which you were using as of January 24, 1951, which is not shown on the back of either of these January 24, 1951 price lists?

A. That I can't remember. It is quite a bit back.

Mr. Lewis E. Lyon: I will offer these two additional price lists, the consumer price list of the defendant of January 24, 1951, as Exhibit 38, and the institutional sizes [210] price list of January 24, 1951, as Exhibit 39.

The Court: They may be received.

The Clerk: Exhibits 38 and 39 identified and admitted in evidence.

(The documents referred to were marked

(Testimony of Peter Smart Hyun, Sr.)

Plaintiffs' Exhibits 38 and 39, and were received in evidence.)

Q. (By Lewis E. Lyon): Now, I hand you what looks to me like what I would call a tear sheet. The only date on it is the stamped date of Received December 26, 1951, and there is marked in its center, for the purpose of identification, "Cooperative Advertising Mats Available." I will ask you if this is a publication of your company? A. Yes.

Q. As of what date, do you recall? A. No.

Q. Was it on or about December 26, 1951?

A. I don't know.

Q. You have no way of determining when this was published?

A. It is quite a while ago. I don't have that good a memory. In fact, that is not made by me. My son made it, and he died.

Mr. Lewis E. Lyon: I will ask that this tear sheet, which I have identified heretofore, be marked and received in evidence as Exhibit 40. [211]

The Clerk: Plaintiffs' Exhibit No. 40 identified. Admitted in evidence, your Honor?

The Court: It may be received.

(The document referred to was marked Plaintiffs' Exhibit 40, and received in evidence.)

Q. (By Mr. Lewis E. Lyon): Does this Exhibit 40 show the products and labels used by Oriental Foods as of the date when this tear sheet, Exhibit 40, was circulated? A. That I don't know.

Q. I notice on the face of Exhibit 40 a column

(Testimony of Peter Smart Hyun, Sr.)

entitled, "Price Comparisons—Ic Sale Deals," and a comparison which shows Chicken—I presume that is chow mein—is that correct? Chicken chow mein, is that correct, in that list, and vegetable chow mein in the second column?

A. Well, it says, "Chicken chop suey."

Q. Or "Chicken Chop Suey," and the other one was "Vegetable Chow Mein"?

A. No, that is vegetable chop suey. You can see that.

Q. Vegetable chop suey. I see.

Both of those were chop suey instead of chow mein. What is the difference between chow mein and chop suey?

A. "Mein" means in noodles in Chinese way of saying, and chop suey means nothing but to cut up and mix, and generally with rice.

Q. I see. Now, in these two columns, reading the first [212] column it says, "Chicken," which would be the chicken chop suey, and at the top of the next column is "Jan-U-Wine,"—that is the name of your product, is it? A. Yes.

Q. And under that is \$4.10 a dozen. The next column is "Chun King," and under that is \$5.25 a dozen, and after that is "Difference," \$1.15 a dozen.

Then the next line is "Vegetable," and that is vegetable chop suey, \$2.75 a dozen under the Jan-U-Wine column, and under the Chun King column is \$4.45 a dozen, and the difference is \$1.70 a dozen.

Did you circulate that? Why did your company circulate that comparison to the trade?

(Testimony of Peter Smart Hyun, Sr.)

Mr. Harris: Objected to as no foundation laid.

Mr. Lewis E. Lyon: If you know.

The Court: Overruled.

The Witness: I don't know we circulate among them.

Q. (By Mr. Lewis E. Lyon): You have stated that this was your tear sheet, which was printed by your company; that is correct, is it not?

A. I believe so.

The Court: If you don't know whether it was circulated, why did you print them? Why did you compare yourself with the other person? That is the point. Why did you have to use Chun King? Why didn't you do as some of the other people do [213] here, say, "We will not be underbid by anybody." Why didn't you do that? Why did you pick out Chun King?

The Witness: Judge, I did not make these. My boy made these, and he, in fact, passed away.

The Court: Do you know why? Did he take it up with you?

The Witness: No, sir.

The Court: Go ahead. Evidently that is all the witness knows.

Mr. Lewis E. Lyon: Yes, I think that is correct. There is no use asking him any questions like that.

(The document was handed to the court.)

Q. (By Mr. Lewis E. Lyon): Mr. Hyun, haven't you always acted as sales manager of your organization?

(Testimony of Peter Smart Hyun, Sr.)

A. No, I just went out and sold it, wherever I could.

Q. Well, you have been active in sales at all times since 1928 to date, haven't you?

A. Not up to date, no.

Q. When did you cease being active in sales?

A. Well, last five or six years.

Q. You haven't done any selling in the last five or six years?      A. Well, very little, I did.

Q. How?      A. Very little. [214]

Q. In that very little in the last five or six years, haven't you actually handed out yourself copies of Exhibit 40?

A. No, I have been calling on mostly Army and Navy, and they don't buy those one cent sales. That is government sales.

Mr. Lewis E. Lyon: Do you have the samples of the labels that were requested, Mr. Harris?

Mr. Harris: Is counsel asking for the cartons?

Mr. Lewis E. Lyon: The cartons. Well, the labels I asked for first. I don't care which.

The Court: Let us go on, gentlemen.

Mr. Harris: Yes, we have some. I produce a file containing a number of samples of labels in response to counsel's request.

The Court: All right.

Mr. Lewis E. Lyon: I guess I had better have this file marked for identification, before I do anything with it, as Plaintiffs' Exhibit next in order.

The Clerk: File containing various labels of

(Testimony of Peter Smart Hyun, Sr.)

Jan-U-Wine Foods is marked, for identification, as Plaintiffs' Exhibit 41.

(The file referred to was marked Plaintiffs' Exhibit 41, for identification.)

Q. (By Mr. Lewis E. Lyon): I place before you two cans, heretofore marked Exhibit 1 and Exhibit 3 in the deposition of [215] Peter Hyun, Jr., taken November 10, 1955, and ask you, are these your products? A. Did you say Jr.?

Mr. Lewis E. Lyon: Yes, his deposition.

Mr. Harris: Mr. Lyon—

Mr. Lewis E. Lyon: I don't mean that. Pardon me. I am wrong. Strike that, please. That is not Peter Hyun, Jr. That is Jaisohn Hyun. Pardon my error.

Q. The question is, are these your products?

A. Yes.

Q. When were these put out?

A. I don't remember just right, but this was way back in around 1930s we made that label.

Q. How long did you continue to use the labels like on Exhibits 1 and 3?

A. I don't recall that. We used this, and I suppose we had some labels left over, we continued using it until late years, and on some we started using others.

Q. What do you mean by "late years"?

A. Well, late as 1950, I suppose.

Q. That general type of label is shown on Plaintiffs' Exhibits 37, and 36, 38, and 39, is it not?



(Testimony of Peter Smart Hyun, Sr.)

Mr. Harris: That calls for a comparison by the witness. The exhibits speak for themselves.

The Court: No, that is all right. He is a defendant, [216] and quite a lot of latitude is allowed in a case of this kind involving both patent infringement and unfair competition.

Q. (By Mr. Lewis E. Lyon): And, also, on Exhibit 40, that is the same label as shown on all of these exhibits, 36, 37, 38, 39 and 40; isn't that correct?

A. Yes, that is what I say, we might have used up to 1950. Whatever we have left over, we keep using them.

Q. Now, when did you change labels? When did you first make the first change of labels from the labels as shown on these two cans, Exhibits 1 and 3 to the deposition of Jaisohn Hyun? When did you make the first change of labels after these?

A. After these, you mean?

Q. Yes. A. That I don't remember, what date.

Q. Do you have any records which will show when such change was made?

A. I don't know neither. Like I say, I am strictly on selling, and I didn't tend to any administration work or production work in our plant at all. I don't know anything about it, because when I sell, I am a far distance. I am selling. It is two or three months at a time that I don't even come home, so that I don't know very much about the dates of any of those.

Mr. Lewis E. Lyon: I will ask that these two

(Testimony of Peter Smart Hyun, Sr.)  
cans, [217] Exhibits 1 and 3 to the deposition of Jaisohn Hyun of November 10, 1955, be marked and received in evidence as the plaintiffs' exhibits next in order.

The Court: They may be received.

The Clerk: The can of Jan-U-Wine vegetable chop suey is identified and received as Plaintiffs' Exhibit 42, and the can of Jan-U-Wine celery is marked and received as Plaintiffs' Exhibit 43.

(The two cans referred to were marked Plaintiffs' Exhibits 42 and 43, and received in evidence.)

Q. (By Lewis E. Lyon): Who in your organization, Mr. Hyun, is in charge of the records, if there are any, and who would know and who is in charge of the changing of the labels from time to time?

A. That is done by mostly my oldest son.

Q. And which one is that?

A. That is Peter, Jr., Peter Hyun, Jr., that is passed away.

Q. I see. Is there anyone else who would know when the changes were made? A. I don't know.

Q. Are there any records in your organization which will show the time of change from one label to another? A. I don't believe so. [218]

\* \* \* \* \*

#### JAISOHN HYUN

resumed the stand, having been called as a witness by the plaintiffs under Rule 43(b) of the Federal Rules of Civil Procedure, and having been previously sworn, testified further as follows:

(Testimony of Jaisohn Hyun.)

Direct Examination—(Continued)

The Clerk: This witness has already been sworn.

The Court: He has been sworn, yes.

Q. (By Mr. Lewis E. Lyon): Do you know, Mr. Hyun, how many of the hand-outs like Exhibit 40 were distributed by your company?

A. I wouldn't know accurately.

Q. Well, approximately how many?

A. I wouldn't know. This printing is not coded for date, or anything. [219]

Q. The question was, how many, not the date at the present time. I am going to get to the date.

A. The code would indicate the date, and how many, of which there is no indication on here. I wouldn't know.

Q. To what type of trade was Exhibit 40 distributed?

A. I would say primarily to our brokers, and then to their customers.

Q. I see. So you supplied these tear sheets, Exhibit 40, to your brokers, and they in turn supplied them to their customers; is that correct?

A. I believe that is the way it was.

Q. Now, can you tell me approximately the date when Exhibit 40 was used, or between what dates it was used?

A. I believe it would be some time between 1950 and 1953.

Q. That is as close as you can fix it?

(Testimony of Jaisohn Hyun.)

A. That is the closest, within range, that I can, yes.

Q. When did you first start the one cent sale? It was after 1951, was it not?

A. No, it was in 1949.

Q. All right. Now, does the price which you were quoting give you a hint as to the time when these were used, and the period of time when they were used? A. I can't tell.

Q. Where did you obtain the Chun King price which is [220] referred to in Exhibit 40, or the prices?

A. I don't know. I presume from one of our brokers.

Q. You were cognizant at the time that this was published of the competition between your company and Chun King on the sale of these products; that is true, is it not?

A. I think that is generally true.

Q. And you were both selling the identical——

The Court: Mr. Lyon, I don't think it is necessary to stand in front of the witness.

Mr. Lewis E. Lyon: Pardon me.

The Court: Some witnesses become very nervous, and we do not allow it except when you show them an exhibit. Besides that, then they get to talking to you, and we will have the same difficulty we had last week of not hearing the witnesses at all.

Q. (By Mr. Lewis E. Lyon): You were both selling the same products at the same time; is that correct? A. Similar products.

(Testimony of Jaisohn Hyun.)

Q. They were both Chinese American type of foods? A. Yes.

Q. And they were both generally of the same classification? A. Yes.

Q. That is, chow mein or chop suey, and of the varieties, chicken, beef and vegetable, or mushroom; is that correct? [221]

A. Yes, or meatless.

Q. And you were both engaged in the selling of noodles? A. Yes.

Q. And you were both engaged in the selling of rice, or were you?

A. I don't know if Chun King was packing and selling rice at that time.

Q. Well, you were?

A. We were, yes. I believe we were. I would like to amend that.

Q. I am going to place before you Exhibits 36, 37, 38 and 39, and I will ask you if you can tell me for how long a period with reference to the dates that these exhibits bear that these price lists were used by your company?

A. 1950 and 1951.

Q. I am going to place before you Exhibits 42 and 43, and I will ask you for how long a period of time your company continued the use of those labels, or labels of that type on your products?

A. Exhibit 43, we probably continued to use this possibly through 1953—'52 or '53—this particular product here, which is celery.

Q. What about other products?

(Testimony of Jaisohn Hyun.)

A. Other products perhaps—other products, no, through that date. [222]

Q. Did you discontinue that type of label on your other products, such as the chop suey or chow mein products? A. Yes, we did.

Q. When?

A. Generally, between 1947 to 1949.

Q. Is that as close as you can fix the date?

A. Yes.

Q. You have no records which will establish the date of that change? A. We don't, no.

Q. Now, in Exhibit 41 there was supplied a set of labels, and does that exhibit include samples of labels to which you changed on the chow mein or chop suey products from the type of label shown in Exhibit 43?

A. It represents the second successive change. There was a change from this label to this label (indicating).

Q. From this label to this label, you mean from Exhibit 43 to Exhibit 42? A. Yes.

Q. And what was that change?

A. The color. Exhibit 43 exemplified, most generally, all of our labels for all products, there not being any color difference, just the black and yellow predominantly.

Exhibit 42 illustrates a change to a color, in this particular case dark blue, for vegetable chop suey.

Q. You mean in the semi-circular panel on the front of the label, that in changing from Exhibit 43

(Testimony of Jaisohn Hyun.)

to Exhibit 42, the color of that semi-circular panel was changed; is that correct?

A. Yes, as well as the side panels.

Q. Now, that semi-circular panel had different colors on it for different products; is that it?

A. Yes.

Q. All right. Now, you are stating about the side panel. What about the side panel?

A. The side panel carried the same color as the semi-circular center.

Q. I see. How long did you continue to use that type of label, with those colored semi-circular panels and the colored side panels, colored for the particular products?

A. Probably a year or two.

Q. What particular colors were used for what particular products?

A. Well, we were the first, I believe,—

Q. Just answer the question.

A. —in our industry to use colors, and we used red for bean sprouts, black for chow mein noodles, light blue for chicken chop suey or chow mein, green for chop suey vegetables and celery, dark blue for vegetables or meatless chop suey or chow mein and celery hearts, red or maroon or [224] magenta for beef chop suey or chow mein.

Q. How long did you continue to use those labels of the semi-circular panels with the different colors for the different products?

A. Approximately a year or two.

Q. Well, when was the last?

(Testimony of Jaisohn Hyun.)

A. We made the next change in 1949.

Q. And what was that change?

A. Principally, a vignette or a pictorial representation of the product contained within the can.

Q. And have you a sample of that label in this Exhibit 41, for identification?

A. Yes, sir. I think they are generally these labels (indicating).

Q. You have picked out this booklet entitled "Label Book," as the change that you say was made to include the vignette of the product; is that correct?      A. Yes.

Mr. Lewis E. Lyon: I will ask that this group of labels be marked in evidence as exhibit—

The Clerk: 44.

Mr. Lewis E. Lyon: Let's mark it 41-A, please, because it is out of 41, and that will show its derivation.

The Clerk: Booklet of Jan-U-Wine labels, marked for identification as Plaintiffs' Exhibit 41-A. Are you [225] introducing this in evidence, Mr. Lyon?

Mr. Lewis E. Lyon: Yes.

The Court: It may be received.

The Clerk: 41-A admitted in evidence.

(The document referred to was marked Plaintiffs' Exhibit 41-A, and received in evidence.)

Q. (By Mr. Lewis E. Lyon): With respect to Exhibit 41-A, do you have the records which would



(Testimony of Jaisohn Hyun.)

show when the labels of this type were delivered to your company?

A. Yes, those were introduced the other day. I have additional records here.

Q. I place before you Exhibit 33, for identification, which contains some records which were produced by you, and, also,—

A. No, I believe they were loose papers. Some of the art work.

Q. Exhibit 32, for identification? Let's see if we can keep these back where they belong. Exhibit 33 is not the one that you are—

A. —referring to.

Q. All right. So we will put that back. Is Exhibit 32 the one that you are referring to, which is in front of you now? A. Yes.

Q. All right. What in Exhibit 32 is the record to which [226] you refer, or the records to which you refer?

A. We started to make these labels in 1949, and the first ones were delivered in 1950.

Q. What part of 1950? A. April and May.

Q. When were the first deliveries made of labels of this type for use on chow mein, chop suey, fried noodles?

A. Beginning in June, 1950, or beginning in May, 1950, May 2nd.

Q. May 2nd? A. Yes.

Q. Which were those? A. Cooked rice.

Q. Well, I asked about chow mein, or chop suey, or noodles.

(Testimony of Jaisohn Hyun.)

A. Well, all of these basic designs apply to all of the products.

Q. Well, specifically, labeled for the product, I am asking for the date of delivery for the first of any of those products, chop suey, chow mein, or fried noodles.

A. The first record I have here is May, 1951.

Q. All right. Now, was that in conjunction with the modification of that label which is illustrated by Exhibit 13, including the 1c Sale across the face of the label?

A. I believe so. [227]

Q. You believe so. Are there any labels attached to any of these invoices you are referring to which enables you to be certain as to what label we are talking about? Is there anything on the invoice of 1951, to which you referred, which would identify the particular label, whether it is that like Exhibit 13, to which I referred you, or like the labels contained in Exhibit 41-A?

A. Yes, the chow mein noodles.

Q. Does that show it was the 1c Sale of chow mein noodles, that invoice that you just referred to?

A. No, that doesn't.

Q. Well, do these invoices show specifically when the modification was made to put the 1c Sale across the face of the label? I wish you would look and see for me.

A. We put the "1c Sale" across the label previously to making this series, this new series.

Q. Well, I am talking about that particular label.

(Testimony of Jaisohn Hyun.)

A. I believe you asked me when we put the "1c Sale" across——

Q. That label?

A. And I am saying it preceded that label. We put it on there before that label came out.

Q. All right. Just show me on what that one cent modification was made before the label like Exhibit 41-A came out? You have looked at Exhibits 36, 37, 38, 39 and 40, [228] for a showing of the one cent sale label, have you not?

A. Yes. Exhibit 40 displays a "1c Sale" across the label previous to the new change, is that not so? On the old style we had "1c Sale" across it.

Q. Now, do you know when Exhibit 40 was distributed or used?

A. Yes, I told you before it was some time in 1949 or '50 when we first introduced it.

Q. Have you any record to establish when Exhibit 40 was used.

A. I have here the introduction of our one cent sales, with the date of June 6, 1949.

The Court: All right. He does not need to look at it. If you use it only for the purpose of identifying it, that is sufficient.

Mr. Lewis E. Lyon: Well, I wanted to see what the witness was referring to.

The Court: No, you are not entitled to see it. You are not going to use this as an exploration into all his business. He merely referred to it for a date.

(Testimony of Jaisohn Hyun.)

If you read your question, you will see that you asked for a date, and he merely referred to it for a date, and you have no right to see what he used to refresh his recollection. I am not going to allow you to explore unnecessarily into this man's business. [229]

Mr. Lewis E. Lyon: I am not wanting to explore.

The Court: Then that is all the inquiry I am going to let you make about this folder. He merely used it to give you a date. Proceed from there.

Furthermore, by the nature of your inquiry, you are turning this into an accounting. I am not going to sit here and hear an accounting, and have you give details of an accounting.

Mr. Lewis E. Lyon: No, your Honor, I am not trying to establish an accounting.

The Court: All right. Then proceed from there. He has given you a date. That is sufficient. Proceed from there.

Q. (By Mr. Lewis E. Lyon): Now, can you establish the date when you put the one cent strip modification in the type of label included on Exhibit 13?

A. We can establish that by the records that are coming from the original lithographer.

Q. You mean those records are not here?

A. No, they are not here. The reason they are not here, we didn't have them in our office, and so I requested that they give us that information.

Q. Who is that lithographer?

(Testimony of Jaisohn Hyun.)

A. Lehmann Printing and Lithographing Company in San Francisco. [230]

Q. All right. Now, you state that you made the change from the type of label in Exhibit 43 to the type in Exhibit 42, and then to the type of label in Exhibit 41-A, which is this exhibit (indicating). Now, what was the next change?

A. I would like to amend one item. Exhibit 41-A took place after a preceding change after 42,——

Q. All right.

A. ——which was actually—I have made them a part of the back of 41-A, which is this series of labels here, in this group.

That was the label that we started to make in 1949, and that set the pattern for the new grouping that we made in 1950, our regular chop sueys and chow meins.

Q. You have picked out four labels in the back of 41-A, which are on a relatively white, shading into a yellow background, and which are for the products cooked rice, Spanish rice dinner, chicken rice dinner, and chicken fried rice dinner; is that correct?      A. Yes.

Q. And you say that is the label which on those products intervened between Exhibit 42, and the other yellow background labels in 41-A; is that correct?

A. They preceded. They were the first of the series. In other words, they were all made together.

(Testimony of Jaisohn Hyun.)

Those were the first ones manufactured and delivered. [231]

You see, cooked rice is still a Chinese food item, as well as our chop suey. Chicken fried rice is a Chinese dish that goes with our Chinese line, as well as chop suey.

Q. You did not use this particular type, with the white shading into yellow background, on the chow mein, chop suey, or noodles; is that correct?

A. No, I don't believe so. No, we didn't.

Mr. Lewis E. Lyon: So that the record will show the white, shading into yellow background labels, which I have referred to, I will ask that these be marked Exhibit 41-B, there being four such labels for the products cooked rice, Spanish rice dinner, chicken rice dinner and chicken fried rice, all of which are included in an intermediate position in the label book, Exhibit 41-A.

The Clerk: You want to tear them out?

Mr. Lewis E. Lyon: No, don't tear them out.

The Clerk: Such four labels being marked 41-B, 41-C, 41-D, and 41-E, for identification.

(The labels referred to were marked Plaintiffs' Exhibits 41-B, 41-C, 41-D and 41-E, for identification.)

Q. (By Mr. Lewis E. Lyon): How long did you continue to use the yellow background label or labels on the chow mein, chop suey, whether that be beef, chicken, or meatless, and noodles, with the yellow background, included in Exhibit 41-A?

A. Until the middle of 1953. [232]

(Testimony of Jaisohn Hyun.)

Q. What date in 1953?

A. We began work in the first part of '53, and placed the order in July, 1953.

Q. And when did you receive the delivery for this next type of label?

A. In October of 1953.

Q. Now, what was that label?

A. That is what we called our three-pound label.

Q. Which one? Is it in Exhibit 41?

A. Yes, they are in Exhibit—no, they are on the exhibit on the table there.

The Court: Will you step down, then, and point to it?

The Witness: 6-A, 7-A and 8-A.

Q. (By Mr. Lewis E. Lyon): Were those labels all delivered at the same time?      A. Yes.

Q. And that was when?

A. In October of '53.

Q. All right. Now, what was the next change in labels that was made?

A. The next change was the result of effort that we had put through, even before we started that one, beginning in 1952, about May, 1952 to September of 1954, at which time we had completed the necessary art work and placed an order for a new series. [233]

Q. What was that new series?

A. That new series we referred to as the triple pack, and they are also in evidence, and also in Exhibit 41, with a black tape. Those items (indicating).

Q. You mean like Exhibits 24, 25 and 26?

(Testimony of Jaisohn Hyun.)

A. Yes.

Q. And that first came out when? When were the labels of that type first delivered?

A. In October of '54.

Q. And when was that product first placed on the market? A. In October of '54.

Q. What time in October?

A. Around the 20th.

Q. All right. Now, what was the next label change?

A. The next label change was in February of '55.

Q. And what was that label change?

A. On the three-pound beef chop suey and a 303 size beef chop suey.

Q. Do you have label samples showing that change?

A. I believe they are in that Exhibit 41.

Q. Exhibit 41 is——

A. Isn't that the label? No, here it is, this one, and the label identical, except larger in size.

Mr. Lewis E. Lyon: I will ask that this one, which has [234] been pointed out by the witness, and which is a label of beef chop suey, be marked as Plaintiffs' Exhibit 41——

The Clerk: 41-F.

The Court: There are several here. Has this been admitted? Has this volume been marked?

Mr. Lewis E. Lyon: Oh, yes, Exhibit 41.

The Court: Oh, we are still talking about Exhibit 41?



(Testimony of Jaisohn Hyun.)

Mr. Lewis E. Lyon: Yes.

The Court: That is all right.

The Clerk: 41-F is included in that.

Mr. Lewis E. Lyon: Is included in 41-A, for identification.

The Court: They may be received.

The Clerk: 41-B, 41-C, 41-D, 41-E and 41-F are admitted in evidence.

(The exhibits heretofore marked Plaintiffs' Exhibits 41-B, 41-C, 41-D, 41-E and 41-F were received in evidence.)

The Court: All the others were in this one folder. I think we can call it a folder.

Mr. Lewis E. Lyon: It is in Exhibit 41-A.

The Court: It is still a part of the group of samples submitted with the folder which is marked Exhibit 41-A. If we keep taking them separately, there will be nothing left except the folder.

Mr. Harris: We won't have any records left either, your [235] Honor.

The Court: I am going to protect you against an undue record. That is my object. I still think there is such a thing as privacy, and that a lawsuit, especially between two such hotly competitive competitors, should not be used for that purpose. I am not going to allow him or anybody under the guise of examination to go into unnecessary private affairs of your company.

Mr. Harris: Thank you, your Honor.

The Court: Even without your objection, and you know that.

(Testimony of Jaisohn Hyun.)

Mr. Harris: Thank you, your Honor.

The Court: All right. Let's go on.

Q. (By Mr. Lewis E. Lyon): You say this Exhibit 41-F was adopted in 1955. What time in 1955?

A. You mean, used for the first time?

Q. Yes. A. In March.

Q. What time in March? A. March 7th.

Q. All right. Now, what was the next change after Exhibit 41-F?

A. There was no other change, except the arrival, of course, of new labels for new products based on the same design. We have made no changes since then.

Q. Now, at what time do your records show did you first [236] pack the combination of labels as shown on Exhibit 10-A? A. In October of '55.

Q. What time in October of '55?

A. Throughout the month.

Q. All right. Is your answer the same with respect to Exhibit 9-A, and the combination of labels on that? A. Yes.

Q. That is October of 1955? A. Yes.

Q. Is your answer the same with respect to the combination of labels and the pack as illustrated by Exhibit 3-A? A. Yes.

Q. That is October, 1955? A. Yes.

Q. How long prior to October, 1955 was it that you had been familiar with the Chun King pack and labels, as illustrated by Exhibits 3, 9 and 10?

A. About a year and a half.

(Testimony of Jaisohn Hyun.)

Q. How long before you brought out the pack, as illustrated by Exhibits 6-A, 7-A and 8-A, which I have segregated and placed over on the side, was it that you were familiar with the Chun King packs and labels as illustrated by Exhibits 6, 7 and 8?

A. About six months.

Q. When first do your records show, if they do, when [237] you first brought out labels showing across their face "2-in-1," as illustrated by Exhibit 11?

A. In June of this year.

Q. How long before that had you been familiar with the Chun King 2-in-1 combination sales and label as illustrated by the label I have just placed in front of you, which is Exhibit 18?

A. About six months.

Q. You are familiar with the Chun King pack, illustrated by Exhibits 27, 28, and the additional two of meatless chow mein, also bearing the one cent sale label, which I have placed before you, are you not?

A. Very definitely. Very definitely. This is where they started to copy us.

Q. I see. And when were you first familiar with that product?

A. The products themselves?

Q. The product in that can?

A. The product in that can. First familiar with it?

Q. Yes.

A. I imagine as soon as they started.

Q. Well, when were you first familiar with it?

(Testimony of Jaisohn Hyun.)

A. About 1949, on.

Q. What time in 1949?

A. About the middle, the middle of 1949. [238]

Q. Would you say the middle is June?

A. Well, June is the middle, yes.

Mr. Lewis E. Lyon: In order to complete this series, your Honor, I will ask that this additional one of this series, which has not heretofore been marked, be marked as Exhibit 44. This is the Chun King chow mein noodle-meatless chow mein one cent sale combination offer.

The Clerk: Admitted in evidence, your Honor?

The Court: It may be received.

The Clerk: Plaintiffs' Exhibit 44, identified and admitted in evidence.

(The item referred to was marked Plaintiffs' Exhibit 44, and received in evidence.)

Q. (By Mr. Lewis E. Lyon): You were asked to produce samples of your packing cartons. I believe that you are now utilizing packing cartons of the type of this packing carton that I place in front of you; is that correct? A. Yes.

Q. When did you start using that type of packing carton? A. June 29th, of this year.

Mr. Lewis E. Lyon: I will ask that this packing carton, just identified by the witness, be received in evidence as Exhibit 45.

The Court: It may be received. [239]

(The item referred to was marked Plaintiffs' Exhibit 45, and received in evidence.)

Q. (By Mr. Lewis E. Lyon): Does that same

(Testimony of Jaisohn Hyun.)

answer, of June of this year, apply to the packing carton, Exhibit 34?

A. No, that was September of this year.

Q. 34 was September of this year? A. Yes.

Q. Now, do you have a further packing carton, for the mushroom chow mein, which I place in front of you,— A. Yes.

Q. —bearing a panel on the side of it. When was that first used?

A. In September of this year.

Mr. Lewis E. Lyon: I will ask that this additional packing carton be marked and received in evidence as an exhibit.

The Court: It may be received.

The Clerk: The knocked down carton of Jan-U-Wine mushroom chow mein has been identified as Plaintiffs' Exhibit No. 46, and admitted in evidence.

(The item referred to was marked Plaintiffs' Exhibit 46, and received in evidence.)

Q. (By Mr. Lewis E. Lyon): Do you have an additional packing carton of this type, having a blue panel on it? A. Yes, we have. [240]

Q. Will you produce that, please?

Mr. Harris: We have here, if the court please, a large group of additional packing cartons, which I produce and hand to counsel.

The Court: I think rather than gaining time, we are moving very slowly now.

Mr. Lewis E. Lyon: I am almost finished on this matter, your Honor.

The Court: What is that?

(Testimony of Jaisohn Hyun.)

Mr. Lewis E. Lyon: I am almost finished.

The Court: I was going to say, if you want to pick them out,——

Mr. Lewis E. Lyon: I can pick them out during the recess, your Honor.

The Court: Then let's have a short recess.

(A short recess.)

Q. (By Mr. Lewis E. Lyon): Mr. Hyun, I place before you a periodical entitled, "Commercial Bulletin." Are you familiar with that? A. Yes.

Q. That is a publication in your industry dealing with the wholesale distribution of food, is it not?

A. Yes.

Q. It is published here in Los Angeles, is it not?

A. I believe so, yes. [241]

Q. It is published weekly? A. Yes.

Q. You have advertised in that publication from time to time over the years, have you not?

A. Yes.

Q. In the issue of August 31, 1951, you announced the one cent sale, did you not, as shown by the advertising panel in the lower left-hand corner?

A. We announced that it was going on. We didn't announce the introduction of it in this particular ad.

Q. Well, wasn't that approximately the introduction of it?

A. No, sir. No, it is very descriptive. This method of packing side by side is what we called a can carrier. A can carrier to the one cent sale

(Testimony of Jaisohn Hyun.)

was after our taping of the cans together end-to-end, which began in June of 1949. I can't seem to convince you of that fact, but it is a fact.

Q. Do you have any advertising literature or other literature that will show the first offering of that?      A. Yes, I do have.

Q. Where is it?      A. I have here——

Mr. Lewis E. Lyon: So that the record will be clear—pardon me just a moment—I will ask that this page 19 of the August 31, 1951 issue of the Commercial Bulletin be marked [242] as an exhibit in evidence.

The Clerk: So that the record may be straight, and taking these things in order, we have previously identified an empty carton of Jan-U-Wine chow mein noodles as Plaintiffs' Exhibit 47, for identification only.

(The item referred to was marked Plaintiffs' Exhibit 47, for identification.)

The Clerk: And this page 19 of the Commercial Bulletin will, therefore, be numbered as Plaintiffs' Exhibit 48. Is it in evidence?

Mr. Lewis E. Lyon: I am offering it in evidence, yes.

The Court: It may be received.

The Clerk: In evidence.

(The document referred to was marked Plaintiffs' Exhibit 48, and received in evidence.)

The Witness: I have here a short file, which includes a memo from the company indicating a special one cent sale, and it refers to, "Jan-U-Wine

(Testimony of Jaisohn Hyun.)

Brand Chicken Chop Suey and Jan-U-Wine Brand Chow Mein Noodles, vertically taped together as one unit. You buy the one can at the regular price, and the can of chow mein noodles for only one cent." It is accompanied by a little promotional sheet that, as we indicated in the memo, was to be included in each case, and we set a quota for those cases.

The Court: Is this an interoffice communication, or [243] is this sent to distributors?

The Witness: It is the latter, your Honor. It is a memo to our sales personnel, which included internally and our brokerage.

The Court: And the brokers?

The Witness: Yes. It indicates the dates of this sale to be June 6th through August 6, 1949.

It also is accompanied with a photograph of the two cans, and also is accompanied by an invoice and a statement from the photographer that he renders for the photographs on June 10, 1949.

Q. (By Mr. Lewis E. Lyon): And where was that distribution made?

A. Primarily, that is initially, within the State of California. Immediately thereafter outside the state.

Q. You mean after August—you mean after the so-called sale was over in the California area in August of 1949, it was continued outside the state?

A. Actually, this sale never did terminate, for, in fact, it is still going on. It has never died. We have pushed it up, pumped it up, called it by different names.



No. 15104

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United States  
Court of Appeals  
for the Ninth Circuit

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ORIENTAL FOODS, INC., a corporation,  
Appellant,

vs.

CHUN KING SALES, INC., and JENO F.  
PAULUCCI, Appellees.

CHUN KING SALES, INC., and JENO F.  
PAULUCCI, Appellants,

vs.

ORIENTAL FOODS, INC., a corporation,  
Appellee.

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Transcript of Record

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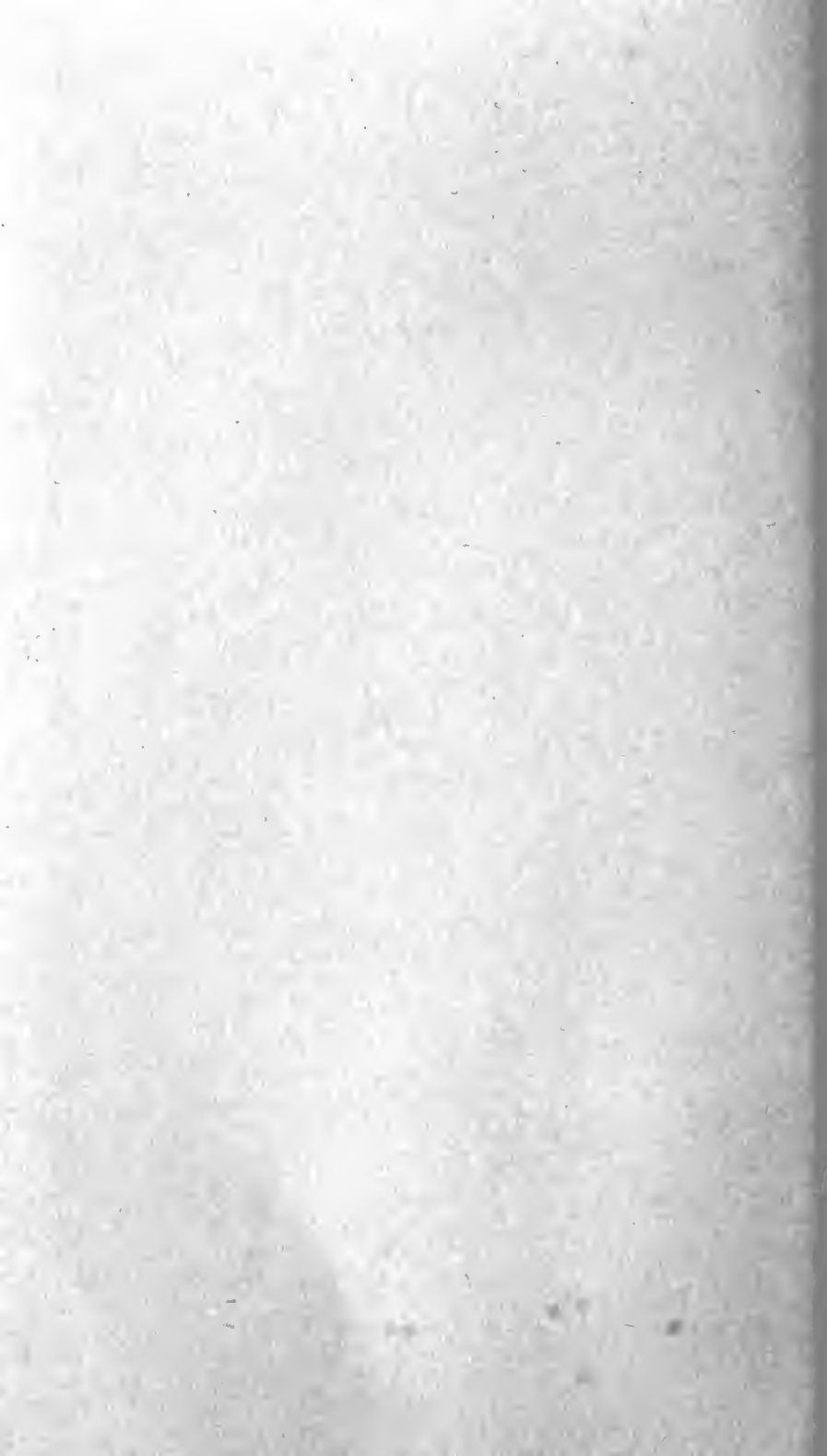
In Three Volumes  
Volume II.  
(Pages 273 to 537, inclusive)

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Appeals from the United States District Court for the  
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Central Division

FILED  
DEC - 3 1956

PAUL P. O'BRIEN, CLERK



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(Testimony of Jaisohn Hyun.)

Q. All I am trying to do is to get this date. You said, "thereafter." What did you mean by "thereafter"?

A. I don't know how long it takes us to make distribution and fill the pipelines, and then continue to fill the [244] requirements for our orders. I would say it would be a period of 30, 60 or 90 days was the period after June, 1949, that we introduced this in interstate commerce.

Q. All right. Now, there is one additional packing carton, which has been marked as Exhibit 47, for identification. I will ask you when you adopted this particular carton?

A. This particular carton was adopted on June 29th of this year.

Q. Of 1955? A. Yes.

Mr. Lewis E. Lyon: I will ask that Exhibit 47, for identification, be received in evidence.

The Court: It may be received.

The Clerk: 47, previously identified, now admitted in evidence.

(The item heretofore marked Plaintiffs' Exhibit 47 was received in evidence.)

Q. (By Mr. Lewis E. Lyon): I place before you a carton bearing on the side "Chun King Beef Chop Suey," having a red panel, and ask you when you were first familiar with that packing case?

A. The first day this case opened in court.

Q. Is your answer the same with respect to the blue one which I have placed on top of it? [245]

A. Yes.

(Testimony of Jaisohn Hyun.)

Q. And is your answer the same with respect to the yellow one I place on top of that? A. Yes.

Q. Who does the sales work for your company? Who does the selling for your company at the present time? A. You mean our sales executive?

Q. Yes.

A. Mr. Mooney, John Mooney, our sales manager.

Q. I see. You do not do the sales work?

A. No. I perform in that field, but not predominantly.

Mr. Lewis E. Lyon: I will ask that these three cartons be marked, for identification, at this time as exhibits next in order.

The Court: All right.

The Clerk: Three empty cartons of Chun King products identified as Plaintiffs' Exhibits 49, 50 and 51, for identification.

(The items referred to were marked Plaintiffs' Exhibits 49, 50 and 51, for identification.)

Mr. Lewis E. Lyon: That is all. [246]

\* \* \* \* \*

### JAMES EDWARD BINGHAM

called as a witness on behalf of the plaintiffs, having been first duly sworn, was examined and testified as follows:

The Clerk: What is your full name?

The Witness: James Edward Bingham. [247]

\* \* \* \* \*

### Direct Examination

Q. (By Mr. Lewis E. Lyon): Will you state

(Testimony of James Edward Bingham.)

your full name, residence, and occupation, Mr. Bingham?

A. James Edward Bingham; Duluth, Minnesota; plant superintendent of Chun King Sales.

Q. How long have you occupied that position?

A. Since the latter part of '48, or the early part of '49.

Q. Are you familiar with the packing cartons which have been used by Chun King for packing its Chinese American foods?

A. Yes, sir.

Q. Do the use of those come under your supervision?

A. Partly, yes.

Q. Before you are three cartons, marked Exhibits 49, 50 [249] and 51, for identification. Can you tell me when Chun King first packed its products in those cartons?

Mr. Harris: That is objected to, if the court please, as not the best evidence, and no foundation has been laid.

The Court: Overruled. It is a preliminary question. Go ahead.

The Witness: Will you read the question, please?

(The question was read.)

The Witness: Some time between January and March, of 1954.

Q. (By Mr. Lewis E. Lyon): How do you establish those dates?

A. Those dates are established by a new product put out by Chun King at that time.

Q. What was that product?

A. That was the Cantonese divider pack.

(Testimony of James Edward Bingham.)

Q. And is that Cantonese divider pack illustrated by any of the exhibits here in evidence?

A. Yes, it is.

Q. Will you point them out? Just come down and do it.

A. Exhibit 9, Exhibit 10, Exhibit 3.

Mr. Lewis E. Lyon: That is all. Before that, I will offer in evidence at this time Exhibits 49, 50 and 51, for identification, as Exhibits 49, 50 and 51.

I will also offer at this time Exhibit 34, which is the [250] Jan-U-Wine carton, heretofore marked for identification as Exhibit 34.

I will also offer at this time Exhibit 29, which is the wire which was sent by Mr. Paulucci to the Minnesota Mining & Manufacturing Company in 1952, heretofore marked for identification as Exhibit 29.

I will also offer at this time as Exhibit 30, the letter heretofore marked for identification as Exhibit 30, which is a letter of October 16, 1951, sent to Mr. G. C. Cronin by Chun King Sales, Inc., and which the witness, Mr. Cronin, admitted receiving.

The Court: They may be received.

The Clerk: Plaintiffs' Exhibits 29, 30, 34, 49, 50 and 51, heretofore identified, now admitted in evidence.

(The exhibits heretofore marked Plaintiffs' Exhibits 29, 30, 34, 49, 50 and 51, were received in evidence.) [251]

\* \* \* \* \*



IVAN ROBERT PETERSON, JR.

called as a witness on behalf of the defendant, having been first duly sworn, was examined and testified as follows:

The Clerk: What is your full name?

The Witness: Ivan Robert Peterson, Jr.

The Clerk: With an "o" or an "e"?

The Witness: With an "o." [252]

Direct Examination

Q. (By Mr. Harris): What is your residence, Mr. Peterson?      A. Minneapolis, Minnesota.

Q. What is your present occupation?

A. Tool designer.

Q. How long have you been a tool designer?

A. Since March 1st, this year.

Q. By whom are you employed at the present time?

A. Minnesota Engineering Company.

Q. So far as you know, does that have any relation to the Minnesota Mining & Manufacturing Company?      A. No, it does not.

Q. Were you ever employed by the Minnesota Mining & Manufacturing Company?

A. Yes, I was.

Q. When?

A. From January, 1949, to October, 1954.

Q. Did you ever work for that company in its tape-customer engineering department?

A. I did.

Q. And when was that?

A. From January, 1949, to late 1951.

(Testimony of Ivan Robert Peterson, Jr.)

Q. During that period did you do any work, as a part of your duties for the company, in connection with machines for [253] applying resilient sticky tapes to cans? A. Yes.

Q. Will you generally describe the work you did?

A. My assignments consisted of developing and constructing machines and fixtures for the purpose of applying tape to many objects, including cans. Generally, to develop an idea, and to construct a piece of machinery that would do the job.

Q. During that period did you ever design or work on any taping machine to be used by the plaintiff, Chun King Sales, Inc.? A. I did.

Q. Will you please generally relate the sequence of events in that work?

A. I don't recall exactly when, but it was in the latter portion of 1949 I was assigned to develop and construct a machine for taping two cans end-to-end for use at the Chun King plant. In the latter portion of 1949 or early portion—just a minute.

(Witness refers to paper.)

Would you read that back? I think I have made one mistake of date.

(A portion of the answer was read by the reporter as follows:

“A. I don't recall exactly when, but it was in the [254] portion of 1949 I was assigned to develop and construct a machine”—)

The Witness: That is sufficient. —in the latter portion of 1950 that should be.

(Testimony of Ivan Robert Peterson, Jr.)

Then in January, late January of 1951, I was instructed to go to the Chun King plant in Duluth to make final corrections and work on the operation of the machine in their plant.

Mr. Harris: I produce a drawing bearing the legend, "Tape Applying Movement, Minnesota Mining & Manufacturing Company," which I ask to be marked as defendant's exhibit next in order.

Q. While the clerk is identifying that drawing and marking it, did you have anything to do with the building of the machine that you are referring to? A. Yes, sir, I built it.

Q. Who designed it? A. I did.

Q. Where was that built?

A. In the Benz Building of the Minnesota Mining & Manufacturing Company.

Q. Where? A. In St. Paul, Minnesota.

Q. And how do you fix this date of January, 1951, that you have referred to? [255]

A. I have some personal records, some expense vouchers and things of that nature.

The Court: Just a minute.

The Clerk: A list of exhibits identified only:

Defendant's Exhibit E, United States Patent 2,679,281; Defendant's Exhibit F, Patent 921,855; Defendant's Exhibit G, Patent 1,672,839; Defendant's Exhibit H, Patent 1,939,719;

Defendant's Exhibit I, Patent 2,006,451;

Defendant's Exhibit J, Patent 2,078,227;

Defendant's Exhibit K, Patent 2,120,504;

Defendant's Exhibit L, Patent 2,307,406;

(Testimony of Ivan Robert Peterson, Jr.)

Defendant's Exhibit M, Patent 2,326,414;

Defendant's Exhibit N, Patent 2,444,830;

Defendant's Exhibit O, Patent 2,484,248;

Defendant's Exhibit P, Patent 2,502,635;

Defendant's Exhibit Q, Patent 2,587,685;

Defendant's Exhibit R, Patent 2,590,241;

Defendant's Exhibit S, Patent 2,652,166; and a drawing headed "Minnesota Mining & Manufacturing Company of a Tape Applying Movement" is identified as Defendant's Exhibit T.

(The drawings referred to were marked Defendant's Exhibits E to T, both inclusive, for identification.)

Mr. Harris: I hand this print, Defendant's Exhibit T, to counsel. I don't have any copies of that.

(The document was handed to counsel.)

Q. (By Mr. Harris): Mr. Peterson, you said that you had some personal records to establish these dates that you mentioned. Will you produce these, please?

(The documents were handed to counsel.)

Q. What are they? Will you explain what those records are?

A. I have a form, a Minnesota Mining form, semi-monthly expense voucher, which covered my expenses incurred on this January trip, and a Minnesota Mining form, "Company Business Mileage Report," covering the mileage, my personal mileage for my own automobile when I made that trip.

I have a Hotel Duluth receipt for my lodging,

(Testimony of Ivan Robert Peterson, Jr.)  
and a receipt from the garage at Duluth for the service to my automobile.

The Court: What is the date? Are they all dated the same time?

The Witness: The——

The Court: Oh, I can see them when they are in. Don't bother.

The Witness: January 25th and 26th.

The Court: The year?

The Witness: 1951.

The Court: All right.

Mr. Harris: I ask that these four documents produced by [257] the witness be clipped together and be marked as Defendant's Exhibit U.

The Court: They may be received.

The Clerk: Defendant's Exhibit U, a bunch of papers dealing with expenses of Witness Peterson.

(The documents referred to were marked Defendant's Exhibit U, and received in evidence.)

[See Book of Exhibits.]

Mr. Harris: I produce a two-page document entitled, "Semi-Monthly Expense Voucher," which I ask be marked for identification as Defendant's Exhibit V.

The Clerk: Semi-monthly expense voucher marked as Defendant's Exhibit V.

(The document referred to was marked Defendant's Exhibit V, for identification.)

Q. (By Mr. Harris): Mr. Peterson, I show you

(Testimony of Ivan Robert Peterson, Jr.)

Defendant's Exhibit V, for identification, and ask you what those documents are?

A. They are thermofax copies of the originals of my semi-monthly expense voucher, and my mileage report for that same two days.

Q. Is the second page of that record in your handwriting or not?

A. Yes, it is in my printing.

Q. Were those records made by you on or about the dates they bear? [258]

A. Yes, they were. There is one correction. The name in the voucher I did not write. That is not my handwriting. But the rest of it is all mine, with the exception, of course, of the department head signature.

Q. I show you Defendant's Exhibit T, for identification. Do you recognize that print?

A. Yes, I do.

Q. What is that?

A. It is one of a series of sketches which we called schematics, illustrating and explaining various tape applying mechanisms and movements which the department had at that time, and—well, I think that is sufficient.

Q. When did you first see a print of that drawing?

A. Very shortly after it was drawn, I know that.

Q. Did you use it in any way in connection with this machine that you have referred to that you built and which was taken to the Chun King plant?

A. Very definitely. It formed essentially the

(Testimony of Ivan Robert Peterson, Jr.)

tape applying mechanism built into this particular machine.

Q. When did you say that machine was completed?

A. In the latter portion of 1950, or very early in 1951.

Q. Was it completed prior to your trip to Duluth, evidenced by these expense vouchers?

A. Yes, it was. [259]

Q. What was the occasion for that trip on January 31, 1951, to Duluth by you?

A. The purpose of the trip was to actually get the machine functioning.

Q. What did you do?

A. I traveled to Duluth, and entered the plant of Chun King Sales, made myself known, and was taken into their plant in the area where they had set up—the area they had assigned for this machine, where they had it set up, and was shown how in their course of attempting to operate the machine in their plant it would not function properly.

Q. In what respect?

A. Primarily, the main difficulty was a skidding of the tape instead of adhering to the cans. When the arm came down in contact with the cans, instead of adhering and the tape being propelled from or through the tape mechanism, the tape merely skidded on the cans, and it would not tape. Occasionally it would make a partial wrap. Sometimes

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it would make a complete wrap, but most often it would skid. So I corrected that situation.

Q. How long were you there in Duluth on that occasion?

A. One or two days. I left for Duluth one day, and I came back the next.

Q. Was there any other equipment being used at that time in the Chun King plant for taping cans together end-to-end? [260]

A. Yes, there was.

Q. What was it?

A. It was a jig. I shouldn't say a jig,—there were jigs set up for a hand operation to do this same job.

Q. What did those jigs consist of?

A. Essentially, a tape dispenser and a piece of angle iron mounted to a base.

Q. Were they set up in a production line?

A. Yes, I would call it a production line.

Q. Where was this machine that you were referring to, with reference to these jigs?

A. Well, right in the same area.

Q. What did you do to the machine to put it in operation?

A. Well, actually several adjustments were required, and several bugs had to be taken out of the machine, as we say. Primarily, the big cause of the skidding was a slightly greasy condition of one of the cans, and in order to counteract that, it was necessary to provide a means of presenting some slack to the tape applying mechanism, so that the



(Testimony of Ivan Robert Peterson, Jr.)

cans would have a chance to get a start and overcome the inertia of the tape applying mechanism.

Also, another point that was discovered was that the resiliency or the durometer of the rubber rolls, the foremost rubber roll or buffing roll—or, rather excuse me— [261] the applying roll was too hard, and that had to be changed so that it would be more resilient, and adhere the tape to the cans better.

Q. Did you make that change?

A. Yes, I did.

Q. Do you recollect any other changes that you made?

A. There could have been others, minor adjustments and things of that nature, that I don't recall now.

Q. When you left the Chun King plant at that time, what was the condition of the machine that you were referring to?

A. It was operating.

Q. Operating for what purpose?

A. For taping cans together.

Q. In what relationship?

A. End-to-end.

Q. And what was happening to the cans that were coming out of that machine so taped?

A. Well, they were being packed in cartons.

Q. Separate from the hand operation, or together with the product of the hand operation?

A. Actually, they were being packed right along with the hand production line cans. There was no attempt to segregate them.

Q. Did you make any further trip to the Chun

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King Sales [262] Company after this trip which you have mentioned?      A. Yes, I did.

Q. Approximately when was that?

A. In April, of 1951.

Mr. Harris: I produce a further semi-monthly expense voucher, consisting of two sheets, which I ask be marked as defendant's exhibit next in order.

The Clerk: Semi-monthly expense voucher, April 1951, identified as Defendant's Exhibit W.

(The document referred to was marked Defendant's Exhibit W, for identification.)

Mr. Harris: I exhibit this to counsel.

(The document was handed to counsel.)

Q. (By Mr. Harris): Mr. Peterson, I show you Defendant's Exhibit W, for identification. What are those two records?

A. They are thermofax copies of the expense voucher and mileage report that I turned in to cover the April trip.

Mr. Harris: These expenses vouchers, if the court please, are offered into evidence as Defendant's Exhibits U, V and W, respectively.

The Court: They may be received.

The Clerk: Defendant's V and W admitted in evidence. Defendant's Exhibit U previously admitted.

(The documents heretofore marked Defendant's Exhibits V and W were received in evidence.)

[See Book of Exhibits.] [263]

Mr. Harris: And the drawing, which is Exhibit

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T, is offered into evidence as Defendant's Exhibit of the same number.

Mr. Lewis E. Lyon: The drawing is objected to on the ground it has been neither properly proven nor identified.

The Court: What is it?

Mr. Lewis E. Lyon: It is a sketch. The witness said he saw it, and that is all.

The Court: What is that?

Mr. Lewis E. Lyon: He said it is a sketch that he saw.

Mr. Harris: He said he used it, if the court please, in designing the first machine.

Mr. Lewis E. Lyon: He did not so testify.

The Court: That is fine. Let's have him identify it further. Just tell us about this, what this is, and who made it, and when you saw it.

The Witness: It is a drawing of a tape applying movement or mechanism. It was used by me in developing and building this particular machine, and other machines.

Q. (By Mr. Harris): By "this machine," what do you refer to?

A. The machine for taping two cans together end-to-end for Chun King Sales.

The Court: Were you here when that machine was exhibited the other day? [264]

The Witness: Yes, your Honor.

The Court: Was that the machine you were talking about?

The Witness: No, your Honor, it was not.

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The Court: Was it one similar, operating in a similar fashion?

The Witness: Yes, your Honor, it was similar.

The Court: Similar. The machine that they showed was not your manufacture?

The Witness: No, your Honor, it wasn't.

The Court: All right. I think a sufficient foundation has been laid for this. It may be received.

The Clerk: Defendant's Exhibit T admitted in evidence.

(The document heretofore marked Defendant's Exhibit T was received in evidence.)

[See Book of Exhibits.]

Q. (By Mr. Harris): Mr. Peterson, did you have occasion to examine the defendant's machine, which was marked as Plaintiffs' Exhibit 21, for identification, and which was here in court the other day, while it was here? A. Yes, I did.

Q. In fact, you made some of the repair on that machine after it failed to operate, did you not?

A. Yes, I did.

Q. Will you please compare the construction of the machine that was here in court, Plaintiffs' Exhibit 21, for identification, with the machine that you designed and built [265] and set up at Chun King Sales, as you testified? [266]

\* \* \* \* \*

Mr. Harris: Your Honor, may I say this: This machine that was here in court, that the defendant uses, is not built by the Minnesota Mining.

The Court: I know that. [270] \* \* \* \* \*

(Testimony of Ivan Robert Peterson, Jr.)

Mr. Lewis E. Lyon: Your Honor, I object to that question on the ground there is no foundation laid.

The Court: I will tell you what I will do. I don't know this man, and I don't know what mechanical background he has had.

In the case of the other witness from the Minnesota Mining Company, who was their salesman, I declined to allow him to make a comparison with something which was not before the court, as to which he could not be properly cross examined, which the court could not see himself for purposes of visual comparison, because the court does not need an expert to compare ordinary machinery, and, to be consistent, I will make the same ruling.

However, I will allow you to show that this man is a draftsman, or an engineer, or a mechanic, and has special knowledge to enable him to make the comparison. Otherwise, I will rule the same as I did in the case of the salesman.

Mr. Lewis E. Lyon: Just a moment. The point of my objection is, your Honor, that the machine, if it is in existence, is the best evidence.

The Court: No, that does not make any difference. You see, I don't agree with you either. You go to one extreme, and he goes to the other. I stand in the middle, and, as I said before, a man may compare a machine even though it is not before us. In this case he would compare something [273] that was before us with something that is not. If he has such knowledge, that he can make a comparison,

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at least one of them is here. The reason I declined to have the other witness make a comparison was because he was a salesman and could not read a case of blueprints. This man has produced blueprints, which he has stated represent a machine of a certain type, and he may have the adequate knowledge to make the comparison.

Go ahead.

Q. (By Mr. Harris): Mr. Peterson, will you please review for the court your experience in machine design, drafting, tool engineering and tool design? A. Well, that goes back quite a ways.

The Court: That is all right. Tell us your education.

The Witness: Actually, I prepared myself during high school for an engineering education. During my period between high school and military service, I worked in mechanical lines as a tradesman.

Q. (By Mr. Harris): As what?

A. As a welder. During my service in the Army, I had one refresher course and one full term in A.S.T.P., which was the Army's Specialized Training Program, and that course was in basic engineering.

When that program was discontinued, I was transferred to ordnance, and spent the rest of my Army career as a mechanic [274] welder in armored ordnance.

Upon discharge from service, I went into welding, and eventually went into production line work on presses, metal forming presses, and spent a year

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in production,—various production jobs on a——

Q. What do you mean by production jobs? Do you mean putting the things through production?

A. No, actually it amounted to tooling and setting up production.

The Court: I was going to use that very word, because we know what tooling is, that that is to set up machines to make various things. Is that what you mean?

The Witness: Yes, your Honor.

The Court: I see. All right.

The Witness: Then in January of 1949 I went to work for Minnesota Mining in the tape-customer engineering service, initially as a draftsman, and worked on up to machine designer.

Now, in that particular group, a machine designer actually made his own sketches, worked from them, built the machine, developed it, and put it in proper operating condition.

The Court: In other words, you are not merely a theoretical man, who prepared the sketches for somebody else to embody into an instrument or machine, but you did the [275] embodying, too?

The Witness: Yes, your Honor.

The Court: I am satisfied with that background that the answer may be given. [276] \* \* \* \* \*

The Witness: Essentially, they are the same in principle. The major difference, of course, is that the machine which I constructed and worked on was not as rugged as this one. It was not built as heavy, let's put it that way.

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It was constructed from the floor or the ground up, and it just grew actually piece by piece, and as they dropped into place, they eventually reached a point where they performed the function.

Do you wish to have me compare minor differences in the construction of these machines?

Q. (By Mr. Harris): Well, you might first compare the similarities, the basic similarities in the machines.

A. Essentially, they both consist, first, of a means of rotating or propelling the cans, with suitable timing devices to tie in a tape applying mechanism, so timed that it will start, wrap, and sever the tape, and then eventually eject the cans.

They both are similar in their taping mechanism, with minor differences. The principle of the taping mechanism in both was the same. The drive and propelling mechanism is essentially the same in both machines.

Q. In this machine used at Chun King, that you testified to, did that have any means for controlling the tension of the tape during application of the cans?

Mr. Lewis E. Lyon: Your Honor, that is objected to as [277] leading. The witness has not said that it had any tension.

The Court: Yes. He is an expert. You cannot lead him.

Q. (By Mr. Harris): Will you compare the tape applying mechanism of that machine that was



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used at Chun King with the machine, Exhibit 21, that was here in court?

Mr. Lewis E. Lyon: That has already been done, your Honor.

The Court: I beg pardon?

Mr. Lewis E. Lyon: I say I object to the question on the ground that the ground has already been covered.

The Court: Go ahead. Let's find out.

The Witness: Well, they both consist, first, of a tape core mounted on a shaft, a fixed shaft. From there the tape progresses to a knurled or serrated roller, a grooved roller, with a non-backup principle or overrunning clutch principle, and thence to the applying roll.

All of these elements are mounted on one arm.

Then a secondary arm, containing a buffing roller, and a severing knife.

Q. (By Mr. Harris): And what was the function of the applying roller, first of all?

A. To initially adhere the tape to the can or object being taped.

Q. And then what happened?

A. Then, through the timing of the machine, the cans [278] were clamped actually in an actual relationship, rotated, and in so doing propelled the tape, and were buffed by the buffing roller on the cans, on the beads of the cans, and the cycle was complete when a little over-wrap was applied.

The can would retract the arm bearing the tape roll and the applying roll, and the clutch, and it

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was so constructed that it made a portion of travel, a portion of arc, before it in turn actuated the other lever containing the buffing roll and the knife, and in so doing, caused a displacement between them, shearing the tape on the knife, severing the tape, after which the cans were, through the timing of the machine, the cans were unclamped, and subsequently ejected from the machine.

Q. What was the condition of the tape, as it was being applied to the cans, with the rotation of the cans?      A. Under tension.

Q. And how does that compare with the machine we had here in court, Plaintiffs' Exhibit 21, for identification?      A. The same.

Q. Now, was this machine that went up to Chun King Sales, as to which you testified, was that a toy?      A. No, definitely not.

Q. What was the purpose of that machine?

A. The purpose of the machine was to prove a principle, prove that the job could be done in this manner. [279]

Q. Did it do so?      A. It did, yes.

Q. Did you ever seen any cans of food taped together in actual markets or stores, which had been taped by this particular machine that you are referring to?

A. Yes, in my opinion, I have.

Q. Where and when did that occur?

A. Well, it happened some time later—it would be very difficult to fix any sort of date on that—in

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the presence of my wife, in the course of a shopping expedition. Frankly, I looked for it.

Q. Why?

A. Well, because I was interested. I wanted to see evidence of the use of the machine.

Q. By whom? A. By Chun King.

Q. And what did you see?

A. And I found cans which I very definitely believe were taped on the machine, because they bear the unmistakable mark of my machine in the method of severance of the tape.

Q. What do you mean by the method of severance of the tape?

A. Well, the particular knife that I had on my machine differed from the type that you saw here in court on the machine, in that it was a single point knife, with an [280] approximate included angle of about 90 degrees, I would say. I couldn't fix it any closer than that, but it would leave a very definite "V" in the end of the tape, the trailing end of the tape, as we say, or the final bit of tape that was buffed down on the cans.

Q. Where did you see those cans?

A. I don't really know which store it was in, but—well, I could guess, but I don't know for sure.

Q. An ordinary commercial sale, was it?

A. Yes.

Q. Did you ever have any discussion with anyone at Chun King Sales, Inc., while you were there on either of these visits, as to putting tension on the tape as it was being applied to the cans?

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A. Would you repeat that, please?

(The question was read.)

A. Yes.

Q. Will you relate what happened on that?

A. Well, this discussion was actually with the girls working on the hand line, actually applying the tape.

Q. What do you mean by the hand line, first of all?

A. Well, they were working right alongside of me. They were taping cans in the jigs that they had there by hand.

Frankly, most of them weren't very receptive to the machine, [281] and there was, oh, a sort of ill-feeling to overcome, you might say—I don't know, maybe—they, of course, had tried the machine, and they had not been able to operate it to function properly.

Q. In what respect?                      A. Pardon?

Q. In what respect didn't it operate properly?

A. Well, as I recounted before, you couldn't trip the machine, to be sure that you would get a finished pair of cans afterwards, because there was a lot of skidding of the tape. That was the primary trouble.

Q. What was said about this business of applying tape under tension?

A. Well, they made comparisons of their end product with my end product.

Q. By "their end product," you mean what?

A. By their hand taped combination of the two-can combination. I realized, of course, that it would

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be up to me to duplicate, as nearly as possible, if I could, their end product.

Q. What was the condition of their end product? Did you examine it at that time? A. Yes, I did.

Q. What was the condition of the tape on the cans at that time,—on the cans which they had taped by hand? [282]

A. It was stretched on the bead in order to conform to the bead.

Q. Did you try to get your machine to do the same thing? A. Yes, I did.

Q. And did you accomplish that?

A. Yes, I did.

Q. While the machine was there at the Chun King plant; is that it? A. Yes.

Q. After this second visit of yours to the Chun King plant in April of 1951, when did you next see, if ever, that particular machine?

A. I never did.

Q. Do you know what happened to it?

A. No, I don't.

Mr. Harris: You may cross examine.

#### Cross Examination

Q. (By Mr. Lewis E. Lyon): Mr. Peterson, as I understand your testimony, you made a machine and took it down to Chun King?

A. I did not take it down.

Q. Or, it was taken down, it wouldn't work, and you went down and made some tests of this machine, which was made for [283] the purpose of trying to

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test, as you say, a principle to see if the principle would work; is that correct?

A. Well, I don't go along with your terminology in the use of the word "test."

Q. What else did you do besides a test?

A. I didn't test the machine. I adjusted it, and made it work, and then left.

Q. I see. And the purpose of that machine was, as you testified, to try to test a principle, wasn't it?

A. To prove a principle, I said.

Q. All right, to prove. And it was experimented with to see if the principle would work, wasn't it?

A. Yes.

Q. All right. Then, to your knowledge, the Minnesota Mining & Manufacturing Company, while you were still there, tried to make a second machine, which would work, and delivered that to Chun King, didn't they?

A. I have no knowledge of that.

Q. You have no knowledge of it at all?

A. None whatever.

Q. You were never there after April?

A. I left that department in the latter part of 1951, and have no knowledge of any second machine.

Q. You were still in that department in September of 1951, were you not? [284]

A. I can't recall the exact date when I left.

Q. All right. Were you, or weren't you there on September 13, 1951? A. In that department?

Q. Yes. A. I do not know.

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Q. Did you ever see—who was your immediate superior?      A. Immediate superior?

Q. Yes.      A. Walter Aldrich.

Q. Did you know an L. S. Mercer, Jr.?

A. I have heard the name Bud Mercer, I think.

Q. Wasn't he the manager of the sales department of Minnesota Mining & Manufacturing Company, in which department you were working?

A. I was not working in sales.

Q. This so-called experimental department was maintained by sales, wasn't it?

A. Yes, it was. However, I had no direct, or very little direct association with the sales department.

Q. And you have no knowledge whatsoever, although you were with Minnesota Mining & Manufacturing Company until when?

A. I was with Minnesota Mining until October of 1954.

Q. And you never had any knowledge of the fact that someone tried to make a second machine; is that correct? [285]

A. No, I didn't have any knowledge.

Q. Never heard of it?

A. Not to my knowledge, no.

Q. And although you were in the same department until the latter part of 1951, as you have testified, you know nothing of any attempt to build a second machine prior to September of 1951?

A. No.

Q. Never heard of it?      A. No.

(Testimony of Ivan Robert Peterson, Jr.)

Q. Did you ever see or hear of this letter, written by Mr. Mercer of Minnesota Mining & Manufacturing Company, of September 13, 1951, to Mr. Paulucci, and which says, "and of the fact that our machine is not performing satisfactorily"?

A. No, I have no knowledge of this letter, and I have never seen it. I didn't know that it existed.

Mr. Lewis E. Lyon: The letter referred to I will ask be marked for identification as the plaintiffs' next in order. It is now Exhibit D-2 to the deposition of Jeno Paulucci, taken May 23, 1955.

The Clerk: You want this numbered as a defendant's or a plaintiffs' exhibit?

Mr. Lewis E. Lyon: As Plaintiffs' 52.

The Clerk: Plaintiffs' Exhibit No. 52 is a letter from Minnesota Mining & Manufacturing Company, dated September 13, [286] 1951, to Mr. Jeno F. Paulucci.

(The document referred to was marked Plaintiffs' Exhibit 52, for identification.)

Q. (By Mr. Lewis E. Lyon): Did the Minnesota Mining & Manufacturing Company send you out here?

A. The Minnesota Mining & Manufacturing Company what?

Q. Yes. A. Pardon me?

Q. Did they send you out here?

A. They asked me to come, yes.

Q. And they paid your expenses, didn't they?

A. Yes.



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Q. As a matter of fact, you know that they are conducting the defense of this action, don't you?

A. Pardon me?

Q. I say, you know that they are conducting the defense of this action, don't you?

A. I have no such knowledge.

Q. How did they come to contact you to come out here?

A. By phone.

Q. When?

A. Monday afternoon.

Q. What Monday?

A. This last Monday afternoon.

Q. That is the 21st of this month? [287]

A. Yes, I believe it was.

Q. And they told you to fly out that day?

A. Yes.

Q. And you are not in their employ?

A. No, I am not.

Q. Or in any company related to them?

A. No.

Q. Are they paying your time out here?

A. Yes, they are.

Q. And your expenses?

A. Yes.

Mr. Harris: May I see that letter, counsel?

Mr. Lewis E. Lyon: You have seen it, and you have got a copy of it.

Mr. Harris: I thought you were having it marked for identification.

Mr. Lewis E. Lyon: It was in Paulucci's deposition, when you were present, or I would have shown it to you.

(Testimony of Ivan Robert Peterson, Jr.)

Q. I note on the face of this drawing, Exhibit T, that it states that the drawing was made by a Mr. Johnson. Do you know a Mr. Johnson?

A. Yes, I do.

Q. Did he work with you on this project?

A. This particular Mr. Johnson?

Q. Yes. [288]

A. He didn't work with me on this project. He was in the department at the time, and, naturally, gave me counsel relating to his principle here, when I was using it in the machine.

Q. I see. You say this was his principle, and not yours; is that it? A. That is right.

Q. Now, you are familiar, are you not, with Exhibit S?

Mr. Lewis E. Lyon: Will you give it to me, please, for identification?

(The document was handed to counsel.)

Q. —a copy of which I will place before you, being letters patent No. 2,652,166.

A. Yes, I am familiar with it.

Q. And you have studied that patent?

A. Yes, I have read it through and looked it over, yes.

Q. When?

A. Within the past three or four days.

Q. How does the drawing, Exhibit T, differ, if at all, from the structure illustrated and described in Exhibit S?

A. I would say they are very similar.

Q. Well, this word "similar" can cover a multi-

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tude of sins. In what respect is it similar, and in what respect is it dissimilar? [289]

A. Well, the principal difference is merely in the method of labeling the parts.

Q. As far as the parts that are pictures are concerned, your statement then is that they are identical; is that correct?

A. I wouldn't say either that they are identical. I would have to have a longer time to actually compare them. I would say that the order on it—they are very, very similar.

The Court: There is an entire difference when you talk architecturally, or from the standpoint of mechanical drawings between similarity and identical, is there not?

The Witness: Yes, your Honor.

The Court: "Identical" means they are exactly alike, and "similar" means they look like the other and they may function entirely differently; isn't that true?

The Witness: Yes, your Honor.

The Court: If you said the drawings of the two machines are identical, you mean that so far as they reproduce the structures, they are the same and, of course, you would imply that they perform their function in the same manner, but if you say they are similar, there may be very slight or very great variations; isn't that true?

The Witness: Yes, your Honor.

The Court: But all you say is they are similar, but they [290] are not identical; is that it?

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The Witness: Well, to me the word "identical" means you could lay one on top of the other, and look at them through the light, and they would absolutely coincide, and they are not that.

The Court: They are not. That is what I gather from your distinction.

Q. (By Mr. Lewis E. Lyon): And as far as their similarities and dissimilarities, you are not prepared to point those out; is that correct?

The Court: The witness said, in fairness to himself, that he is not that kind of lightning.

Mr. Lewis E. Lyon: No, but he said he has read this in the last two or three days, your Honor, and studied it.

The Court: He said he is not prepared unless you gave him time.

Mr. Harris: I have no objection to his answering that, if he can.

The Court: It is the hesitancy of the witness that I am trying to protect.

Mr. Harris: I know, but I don't think he needs your protection on this point, your Honor.

The Court: All right.

The Witness: I have an aversion to making a dogmatic statement about mechanics. [291]

The Court: That shows an intelligent mind and a scientific mind. I wish it were more common. Unfortunately, it isn't. Too many people become dogmatic.

The Witness: Thank you.

The Court: Let's do this. We have been going

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for an hour and fifteen minutes without interruption. Suppose we call a short recess, and you see if in ten or fifteen minutes of analysis you can answer the question. If at the end of that period you still say you don't want to, I will tell the attorneys that you need not answer. Is that all right?

The Witness: Very good.

The Court: All right. Then let's have a short recess.

(A short recess.)

The Court: Let's go on, gentlemen. Have you looked at those?

The Witness: Yes, your Honor.

The Court: Are you ready to answer?

The Witness: Yes, I believe I am.

The Court: All right. Go ahead.

The Witness: Your question was if they were identical; was that it?

Mr. Lewis E. Lyon: Yes.

The Witness: In my opinion, the two mechanisms depicted here are in principle identical, yes, and will produce identical [292] end product.

Q. (By Mr. Lewis E. Lyon): In function, are they identical?

A. In my opinion, they are, yes.

Q. Is that same answer true with respect to the machine which was here in court, Exhibit 21, for identification, is that identical with what is shown in this Johnson patent, and in the machine shown in this drawing, Exhibit S—or Exhibit T, is it?—Exhibit T?

A. In function, yes.

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Q. Are they identical in parts?

A. No, they are not identical in parts.

Q. Are they identical in mode of operation?

A. In mode of operation,—to what do you refer?

Q. The way they produce the results.

The Court: Functionally.

The Witness: Well, in both of these mechanisms there is no actuating mechanism involved. There is a lever here, and that is all. To that extent, they both have a lever.

Q. (By Mr. Lewis E. Lyon): Now, in the Johnson patent, the part that you were referring to, and the only part of that patent—and by the Johnson patent, I am referring to Exhibit S, for identification, Patent No. 2,652,166—the only part of that patent that deals with a machine for applying tape to cans is Figures 4, 5 and 6, is it not, and [293] the specification with respect to that part?

A. Well, Figure 2 also depicts a mechanism for applying to cylindrical objects, one of which could be a can, so that I could say that 2—

Q. 2, 4, 5 and 6?

A. —4, 5 and 6 apply to cylindrical objects.

Q. All right. Now, I am going to refer you to the photographs of Exhibit 21, for identification, a machine which was demonstrated here in court, and for the moment particularly to Exhibit 21-C.

In this Exhibit 21-C there is a long mirror surface, in that it is very bright, roller, under which the tape is first trained, and which is journaled on a shaft at the top of the painted arm, to which the

(Testimony of Ivan Robert Peterson, Jr.)

tag bearing the number 21 is secured by string; that is correct, is it not?

A. I didn't get the question. Now, with all of the description, I missed the question.

The Court: Read the question, Mrs. Zellner.

(The question referred to was read by the reporter as follows:

"Q. All right. Now, I am going to refer you to the photographs of Exhibit 21, for identification, a machine which was demonstrated here in court, and for the moment particularly to Exhibit 21-C.

"In this Exhibit 21-C there is a long mirror surface, [294] in that it is very bright, roller, under which the tape is first trained, and which is journalled on a shaft"—)

The Witness: That is far enough. Yes.

\* \* \* \* \*

Q. (By Mr. Lewis E. Lyon): Will you mark on Exhibit 21-C the roller to which we have referred by the letter "A", with a [295] lead line?

(The witness does as requested.)

Q. Now, will you point out to me in Exhibit S, for identification, Patent No. 2,652,166 a roller which is like——

A. One which will perform that function?

Q. ——is like the roller "A" in Exhibit 21-C?

A. I will point out a portion of it, depicting or representing such a pin, or roller, or device.

Q. In figures 2, 4, 5 and 6 which relate to a device for taping cans? A. No.

(Testimony of Ivan Robert Peterson, Jr.)

Q. There isn't any such, is there?

A. Not in those particular views, no.

Q. Nor is there one like this roller "A" in Exhibit T, is there?      A. No.

Q. All right. Now, will you point out in Figures 2, 4, 5 or 6 of Exhibit S, for identification, any part which corresponds with the tension ratchet which I am going to mark "B" on Exhibit 21-C?

A. Well, in Figure 2, detail 33; in Figures 4, 5 and 6, detail 73.

Q. The patent says that the part 33 is a second roller. Does that correspond with the ratchet which I have marked "B" on Exhibit 21-C? [296]

A. I am sorry. I misunderstood, then, in your question. I thought you meant the roller.

No, we don't find any such similarity.

Q. All right. Now, in the machine which was demonstrated here in court, the roller, which I will mark "C" in Exhibit 21-C is longitudinally slightly spirally serrated; is it not?      A. Yes.

Q. Do you find any such serrations pictured or described in the patent, Exhibit S, for identification, in either Figures 2, 4, 5 or 6, or in the specifications?      A. No.

Q. In the machine which was demonstrated here in court, bearing on the ratchet, which we have previously marked "B," is a tension applying spring "D," which I have marked "D" on Exhibit 21-C, which applies tension in the ratchet mechanism previously marked "B." Do you find any such part described in Exhibit S, or pictured therein?



(Testimony of Ivan Robert Peterson, Jr.)

A. No.

Q. Do you find any such part in the drawing which you have identified as Exhibit T? A. No.

Q. Do you find any ratchet at all in Exhibit T, the drawing? A. No.

Q. Do you find any serrated roller in the drawing, [297] Exhibit T? A. No.

Q. In the photograph—I mean, in the machine which was marked for identification Exhibit 21, and which was demonstrated to the court, there was included a pair of grooved rollers, which I will mark E-1 and E-2 on the photograph, Exhibit 21-C for identification, and those grooves passed over the beads of the can; that is correct, is it not?

A. Yes, I believe they did.

Q. All right. Now, do you find any such grooved rollers in either Exhibit T or Exhibit S?

A. Well, the plan view could very hardly show that groove.

Q. Then your answer is “No,” isn’t it?

The Court: Well, so far as is shown there?

The Witness: Yes. A roller in this case or a figure of three-dimensions is represented by a flat plain surface. It cannot show any such groove. I don’t see any.

Q. (By Mr. Lewis E. Lyon): It doesn’t show it, then, does it? A. No.

Q. In either of them? A. No.

Q. And it is not shown in the patent, Exhibit S, is it? [298]

(Testimony of Ivan Robert Peterson, Jr.)

A. To my knowledge, it is not. I haven't found it in there.

Q. Now, as an engineer, you recognize the principle that if you want to increase the tension required to pull a tape or a string in tension, you will cause that string to pass through a circuitous route, will you not?

A. It could be accomplished by that means, yes.

Q. And that is what is accomplished, is it not, by the addition of this roller "A" to the machine shown in Exhibit 21-C?

A. Very definitely not. That is a pre-stripping roll.

Q. The tape passes around that roller in a circuitous route, does it not? A. Yes.

Q. And it passes out of the straight line of tension, does it not? A. Yes.

Q. And the result of that will be to cause more tension to be required to pull the tape around the corner, isn't it?

A. It would have that result, yes, in addition to others.

Q. In the drawing, Exhibit T, before you, you have defined the upper roller, which on the drawing is entitled "buffing roller" as having the purpose to buff the tape to the object; is that correct?

A. Correct. [299]

Q. And that is what is defined for that roller in the Johnson patent, Exhibit S, for identification, is it not?

A. The terminology is different actually in the

(Testimony of Ivan Robert Peterson, Jr.)

patent than it is in the schematic drawing. The term "buffing" is not used.

Q. Is that the same purpose?

A. Yes, I would say so.

Q. What do you mean by "buffing"?

A. To—in this case it means to place the tape in more intimate contact with the object being taped.

Q. And that would be with the periphery of the beads, would it not?

A. In this particular application, yes.

Q. Now, the purpose of this so-called applying roller, which is the roller immediately below the buffing roller, is twofold, is it not: One, to apply the first portion of the tape to the beads of the can, and the other is to function with relation to the buffing roller and the knife to sever the tape at the end of the taping operation? A. Yes.

Q. Does it have any other function?

A. Well, it will perform a secondary function, in that it will also buff, or help to cause a better contact of the tape to the object.

Q. Any other function? [300]

A. None that I can see.

Q. You say that this light weight machine that you tested at the Chun King plant was returned to Minnesota Mining & Manufacturing Company. Do you know when?

A. I never said that, because I don't know that it ever was.

Q. You don't know what happened to it?

(Testimony of Ivan Robert Peterson, Jr.)

A. No, I don't.

Q. You don't know whether it was junked?

A. No.

Q. Returned? A. No.

Q. Or thrown away? A. No, I don't.

Q. You know that it was not intended to be a commercially operating machine, do you not? It was merely a test machine, was it not?

A. In intention—personally, I don't believe it was intended.

Q. It was merely a test machine, wasn't it?

A. Well, test is——

Q. A try-out machine, if you don't like the word "test"? A. Or a "proof," yes.

Mr. Lewis E. Lyon: Or an experiment?

The Court: Do you like "experiment" better?

The Witness: Well, yes, I believe it was.

The Court: Well, give us your own synonym.

The Witness: Well, I prefer the term "pilot machine."

The Court: "Pilot"?

The Witness: Yes, a pilot production machine.

Mr. Lewis E. Lyon: And in engineering——

The Court: Frankly, I haven't heard that.

Q. (By Mr. Lewis E. Lyon): In engineering parlance, a pilot and experimental machine are synonymous, are they not?

A. Very definitely not.

The Court: What is a pilot machine?

The Witness: A pilot machine is constructed for the purpose of doing production on a very limited

(Testimony of Ivan Robert Peterson, Jr.)

or small scale, to, in many cases, even prove a product or a principle, or to determine if a principle is sound production-wise, a pilot run.

Q. (By Mr. Lewis E. Lyon): And what is an experimental machine produced for?

A. For research, actually.

Q. To try out a principle and see if it will work, and see if it could be made to operate, isn't it?

A. Yes, but with no intent of producing pilot production on it.

Q. Do you know why you were taken off of this [302] development by Minnesota Mining & Manufacturing Company, and it was turned over to someone else?

A. Well, I don't think it was ever a case of my being taken off. In the meantime, I had taken on other assignments, and, like I say, later that year I left that particular department also.

Q. You had no contact at all with the machine which is referred to in this letter of September 13, 1951, did you?

A. Is that the letter that you showed me?

Q. Yes. A. No, I had no knowledge of that.

Q. So, taking that as a fact, you know that there was a second machine made, don't you?

A. Taking what as a fact?

Q. What is stated in the letter from the company that you were employed by, in the letter of September 13, 1951.

A. I may assume it. I don't know it.

Q. You have no explanation for the fact that

(Testimony of Ivan Robert Peterson, Jr.)

you had nothing to do with any second machine, is that correct, if there was one?

A. That is correct.

Q. In 1952 did you have any contact with the Chun King organization?      A. In 1952?

Q. Yes. [303]

A. Well, the only other contact I ever had there was once when my wife and I were on vacation in Duluth, I stopped in at their new plant. I had heard about their move at the time I was up there in '51 in the Lake Street plant, and I stopped in at that time. I don't recall who it was I met. It was possibly Mr. Bingham, or else the other gentleman whom I met on the earlier trips, and whose name slips me now.

Q. Was that Mr. Johnson?

A. The only one I can recall is Ed.

Q. Ed Johnson, was it not?

A. I can't recall what his last name was. They were then just in the process of setting up the place, and every one was so busy that we looked around a little bit, and then left.

Q. And there was no machine, similar machine, at the plant that you saw at that time?

A. Not that I can recall, no. [304]

\* \* \* \* \*

### ORVILLE MARTIN JOHNSON

called as a witness on behalf of the defendant, having been first duly sworn, was examined and testified as follows:

The Clerk: What is your full name, please?

(Testimony of Orville Martin Johnson.)

The Witness: Orville Martin Johnson.

The Clerk: Spell the first name, please.

The Witness: O-r-v-i-l-l-e.

The Clerk: And the Johnson with an "o"?

The Witness: Right.

Direct Examination

Q. (By Mr. Harris): What is your residence, Mr. Johnson?      A. St. Paul, Minnesota.

Q. What is your present occupation?

A. I am an engineer at Minnesota Mining & Manufacturing Company.

Q. How long have you been employed by Minnesota Mining & Manufacturing Company?

A. For five and a half years.

Q. What is your technical educational background?

A. In December of 1948 I graduated from the University of Minnesota, after spending four years there, as a mechanical engineer.

After that I spent one and one-half years as a draftsman [305] at the Grayco Company, Minneapolis, Minnesota.

For the next five and a half years I have been a mechanical engineer at Minnesota Mining.

Q. In what department are you employed?

A. The tape-customer engineering department.

Q. And have you been in that department since you first went with the company?

A. Yes, I have.

(Testimony of Orville Martin Johnson.)

Q. Just, in a general way, state what your experience has been in that department.

A. For the first two and a half years I was a machine designer. I was given projects and asked to design and develop machines and fixtures for automatically or semi-automatically applying tape to our customers' products.

Q. What kind of a tape was this?

A. Pressure sensitive tape.

Q. Is there any other name for that you have heard used?

A. Well, since this trial began I have heard of this resilient and tacky tape.

Q. Then will you go on with your experience in that department?

A. For the next three years I have been acting as a field engineer and working on tape applying problems directly for our tape customers.

Q. As a part of your duties in the general operation of [306] your department, do you try to keep track of all tape applying machines that have been sponsored by your department which are in use throughout the country?

A. Yes, I do.

Q. Do you know of any machine for applying tape to hold two cans together in end-to-end relationship in the State of California, other than the defendant's machine, Exhibit 21, that was here in court?

A. No, I don't know of any other machine.

Q. Are you familiar with that machine that was here in court, Exhibit 21?

A. Yes, I am.



(Testimony of Orville Martin Johnson.)

Q. When did you first become familiar with that machine?

A. The specific machine that was here?

Q. Yes, the specific machine that was here.

A. I saw that machine for the first time in the Summer of 1954.

Q. And what was the occasion for that?

A. It had been sent to Oriental Foods several months prior to that time.

Q. By whom?

A. By Dellenbarger Machine Company of New York, and shortly after it was sent to Oriental Foods, Oriental encountered a few minor adjustment problems, and they were unable to cope with them successfully, so we suggested they return [307] it to St. Paul, so that we could make adjustments on the machine and make it function properly.

Q. And was that done?            A. Yes, it was.

Q. And while the machine was here in court, did you have occasion to again examine the machine?

A. Yes, I did.

Q. How long have you been familiar with machines of that general type?

A. I have been familiar with machines of that general type for close to five years. In fact, it would be five years ago last month or this month. That would be in 1950.

Q. The latter part of 1950, was that?

A. The latter part of 1950, when Mr. Peterson started to design the first machine.

Q. Mr. Johnson, are you the Johnson who is

(Testimony of Orville Martin Johnson.)

the patentee of U. S. Letters Patent No. 2,652,166, which is Defendant's Exhibit S?

A. No, sir, I am not the same Johnson.

Q. Did you know him, however?

A. Yes, I did.

Q. In what connection?

A. Well, I attended the last year at the University in his class, and I also knew him while he worked in the tape-customer engineering department. [308]

Q. I show you the photographs which are Plaintiffs' Exhibits 21-A to 21-G, inclusive, and ask you to describe that machine, first of all, its construction, and in doing so, to illustrate your testimony by labeling by the use of letters by this pin I hand you on the exhibit itself, or on one of these exhibits.

A. Would you like the complete machine designated, all of the parts, or merely the tape applying mechanism?

Q. Well, the general construction of the machine first, the whole machine, and then we will get to the tape applying mechanism later.

A. All right. First of all, the machine consists of a base plate.

Q. Excuse me. Will you letter that? Excuse me one minute. We have some letters on one of these exhibits. Exhibit 21-C has some letters on it, so the next letter will be "F". Will you letter that base you referred to as "F"?

(The witness does as requested.)

Q. You have put the "F" on Exhibit 21-A, have

(Testimony of Orville Martin Johnson.)

you not? You don't need to put it on all these photographs, but just use as few photographs as you can to make your description complete.

A. Fine.

Mr. Lewis E. Lyon: Which one did you put it on?

Mr. Harris: 21-A. [309]

The Witness: 21-A, right. Next, the machine contains two vertical mounting brackets.

Mr. Harris: Will you label those "B-1" and "B-2"?

Mr. Lewis E. Lyon: We already have a "B."

Mr. Harris: Oh, excuse me. That should be G-1 and G-2. I am sorry.

(The witness does as requested.)

The Witness: And the next component would be the electric motor that is used to drive the machine.

Q. (By Mr. Harris): Will you label that "H"?

(The witness does as requested.)

A. The next parts would be the collars for support rollers, which support the two cans, or three cans, if it is a three-can deal.

Q. Will you label one of those collars "I"?

(The witness does as requested.)

A. The next part would be the clamp pad on the left side of the machine.

Q. Excuse me for interrupting you, but is there one or are there two of those rollers such as you have marked "I" on Exhibit 21-A?

A. There are a series of rollers, but they all perform the same function, that is, to support the cans.

(Testimony of Orville Martin Johnson.)

Q. Were you referring just to the collars or to the shafts as well? [310]

A. I was referring mainly to the collars.

Q. And what are those collars mounted on?

A. Each collar is mounted on a shaft.

Q. And is there one shaft, or is there more than one shaft? A. There are two shafts.

Q. In one of the other photographs will you point out the two shafts, if you can find them?

A. Okay.

Q. And identify them as "I-1" and "I-2."

(The witness does as requested.)

Mr. Lewis E. Lyon: Which photograph is that?

The Witness: 21-C.

Q. (By Mr. Harris): Thank you. Now, will you continue with your description? You started to talk about some articles called driving pads. Will you describe those?

A. I had mentioned the clamp pad, which is the pad on the left side of the machine, and is used to clamp the two cans together.

Q. Will you label that as "J" on the exhibit?

(The witness does as requested.)

Mr. Harris: The record should show that appears as "J" on Exhibit 21-A.

Q. Now, will you continue your description?

A. The next part, to identify it, would be the drive [311] pad, which is located on the left-hand side of the machine.

Q. Will you mark that as "K"?

(The witness does as requested.)

(Testimony of Orville Martin Johnson.)

A. Is it all right to use this?

Q. Yes, you may use this Exhibit 21-C, to continue your description.

A. And we will give different numbers; is that it?

Q. Our last number was "K." So the next reference letter would be "L." A. All right.

Mr. Lewis E. Lyon: Did you put "K" on anything?

Mr. Harris: Yes, "K" is on Exhibit 21-A.

The Witness: The next part would be the tape applying roller.

Q. (By Mr. Harris): Will you label that as "L" on Exhibit 21-C?

(The witness does as requested.)

Q. What is that tape applying roller supported on. A. It is supported on a tape applying arm.

Q. In what manner is it supported on that arm?

A. There is a shaft that is mounted directly to the arm, and the roller is mounted on that shaft, or rotates free on that shaft.

Q. Will you identify the tape applying arm you have referred to as "M" on Exhibit 21-C? [312]

(The witness does as requested.)

Q. And how is that tape applying arm supported?

A. It is supported by a shaft, and the shaft is mounted on a vertical mounting member, and that shaft can barely be seen here. Possibly it would be better to do it on this shaft (indicating).

(Testimony of Orville Martin Johnson.)

Mr. Harris: The witness will identify that as "N" on Exhibit 21-E.

Q. Now, will you continue with your explanation of the tape applying arm, and its mechanism?

Mr. Lewis E. Lyon: While he is on that, is that shaft rigid in its support?

The Witness: I will just check to be absolutely sure. Yes, it is.

Mr. Lewis E. Lyon: Pardon me for the interruption.

Q. (By Mr. Harris): Now, will you continue with your description of the mechanism that is carried by the tape applying arm?

A. The second roller, or tape applying roller, is a clutch roller, or a one-way or a one-direction roller.

Mr. Harris: Will you mark that with a capital "O"?

Mr. Lewis E. Lyon: It is already marked.

Mr. Harris: Oh, excuse me. That has already been identified on the exhibit as "C," is that correct?

The Witness: Right. [313]

Q. (By Mr. Harris): Very well. How is that mounted with respect to the tape applying arm?

A. That roller is allowed to freely rotate in one direction on a shaft that is rigidly attached to the tape applying arm.

Q. Why do you say in one direction?

A. Because, due to a rigid device, it is allowed to move in only—looking at the machine from this side—in the counterclockwise direction. That al-

(Testimony of Orville Martin Johnson.)

lows tape to be applied to the cans but prevents the tape from backing out between the two rollers.

Q. Is that the construction that is illustrated by the letters "B" and "D" already on Exhibit 21-C?

A. Yes, that is correct. Shall I go ahead?

Q. Yes, if you will, please.

A. There is also a second arm that is mounted alongside of the tape applying arm, which is known as the buffing arm.

Q. Yes. Will you mark the buffing arm, to identify it, with a capital "O"?

(The witness does as requested.)

Q. And how is it supported?

A. It is allowed to rotate or move freely on a shaft that is rigidly affixed to the same vertical member that holds the tape applying arm. [314]

Q. Are the tape applying arm and the buffing arm mounted on the same pivot?

A. Yes, they are.

Q. And what is carried by that buffing arm?

A. On the end of the buffing arm a buffing roller is mounted.

Q. Will you please mark that as "P" on the print, Exhibit 21-C?

(The witness does as requested.)

A. Also, on that arm a knife is mounted for cutting the tape.

Q. Will you mark that "Q," if you please?

(The witness does as requested.)

Q. Does that knife have a blade, a sharp edge?

A. Yes, a very sharp edge.

(Testimony of Orville Martin Johnson.)

Q. Will you mark the sharp edge as "R"? Let's mark it "R."

(The witness does as requested.)

A. Shall I go ahead, then?

Q. Yes.

A. The next component would be the pre-stripping roller, which is already marked by "A."

Q. On Exhibit 21-C? A. Yes.

Q. How is that roller supported? [315]

A. It is supported by a bracket or by a shaft and allowed to rotate on the shaft, and the shaft is rigidly affixed to the mounted bracket.

Q. Is the mounted bracket itself identified on this print? A. No.

Q. Then let's mark it "S."

(The witness does as requested.)

A. The machine also contains a drum on which the tape core is mounted.

Q. Will you mark that drum as "T" on the exhibit?

(The witness does as requested.)

Q. What is the function of that drum "T"?

A. It holds the tape roll.

Q. Is the tape roll free to rotate on the drum or the shaft of the drum?

A. The drum is allowed to rotate freely on the shaft.

Q. On the shaft that supports it? A. Yes.

Q. What is that shaft held on?

A. The shaft is rigidly mounted to the tape applying arm. I can go into more detail.



(Testimony of Orville Martin Johnson.)

Q. Well, you might point out the ejecting mechanism on this appliance. A. Yes, There is a——

Mr. Lewis E. Lyon: Before you do that, may I ask one question?

Mr. Harris: Yes.

Mr. Lewis E. Lyon: Are E-1 and E-2 the same as you have marked "L" on Exhibit 21-C?

The Witness: Yes.

Q. (By Mr. Harris): And to clear that up, E-1 and E-2 illustrate a pair of rollers on the same shaft, do they? A. Yes.

Q. Now, is there an ejectment mechanism on this?

A. Yes, there is an ejector in the machine, and it consists of a pair of ejector arms, and rollers attached to the arms.

Q. Would you mark the arms as "U-1" and "U-2"?

(The witness does as requested.)

A. It is very hard to see those arms on these.

Mr. Harris: Perhaps if you could mark one of the arms on one of the exhibits it would be sufficient.

Mr. Lewis E. Lyon: It is on 21-C.

The Witness: Here I see them very well, on 21-A. Shall I mark them?

Q. (By Mr. Harris): You might mark them "U-1" and "U-2."

(The witness does as requested.)

Q. Referring you particularly to Exhibit 21-C, I notice what appears to be a pin and a small dog or arm [317] connected to the buffing roller arm, or is that the taping roller arm?

(Testimony of Orville Martin Johnson.)

A. No, the pin is attached rigidly to the buffing arm.

Q. Will you mark that pin as "V"?

(The witness does as requested.)

Mr. Harris: I produce a group of five schematic drawings which I ask to be marked as Defendant's Exhibits X-1, X-2, X-3, X-4 and X-5.

The Clerk: Defendant's Exhibits X, X-1, X-2, X-3, and X-4, marked for identification.

(The documents referred to were marked Defendant's Exhibits X, X-1, X-2, X-3 and X-4, for identification.)

Q. (By Mr. Harris): Mr. Johnson, I show you Exhibits X, X-1, X-2, X-3 and X-4, for identification. Were those drawings made under your direction and supervision? A. Yes, they were.

Q. What do they illustrate?

A. They illustrate the tape applying mechanism that is used on the Dellenbarger can banding machine.

Q. Which one?

A. The one that was in the courtroom, the one that is used by Oriental Foods.

Q. The one shown in the photographs, Plaintiffs' Exhibit 21? A. Yes, sir. [318]

Q. You have labeled some of these photographs, Plaintiffs' Exhibits 21-A, -B, -C and so forth. Will you kindly on Figure 1 of Defendant's Exhibit X put the corresponding identifications, insofar as you can? A. Yes, sir. [319] \* \* \* \* \*

Q. (By Mr. Harris): Does that work?

(Testimony of Orville Martin Johnson.)

A. Yes, this works very nicely.

Q. I don't think you made the "I" quite plain enough, Mr. Johnson.

Very well. Will you make that lead line a little heavier, so that it is plain?

(The witness does as requested.)

Q. I was pointing to this arm here, and not the roller itself.

A. That is the one. (Indicating.) [320]

Q. Thank you. Now, will you mark on Exhibit 21-D, which I have here, the letter "Y" to identify the cans in the machine? And the same on Exhibit X?

(The witness does as requested.)

Q. Now, Mr. Johnson, using Defendant's Exhibits X, X-1, X-2, X-3 and X-4, will you kindly explain the operation of the machine shown in the photographs, Plaintiffs' Exhibits 21 and following?

A. Should I explain that right from here?

Q. Yes, If you will, by reference to these schematic sketches that you have had made.

A. The tape applying roller——

Q. First of all, what does Figure 1, which is Defendant's Exhibit X, show?

A. Figure 1 shows the tape applying arm and the buffing arm in the rest position before the tapping cycle begins.

Q. What is the heavy black line in that figure on the exhibit?

A. The heavy black line indicates the route of the tape from the tape roller, around the pre-strip-

(Testimony of Orville Martin Johnson.)

ping roller, between the clutch roller and the applying roller.

Q. And in that position what is the condition of the free end of the tape, which is shown as being just below the applying roller?

A. The tape is free, that is, it is held at one end [321] by the applying roller and the clutch roller. On the other end, it is free.

Q. That is the part marked "end of tape" on this sketch?

A. The part of the tape marked "end of tape" is free, yes.

Q. Now, will you go on with your explanation of what happens, first, in the operation of this machine? What is the first thing that happens?

A. The first thing that happens is that the operator turns on the switch, which starts the electric motor running. She then places two cans in end-to-end relationship on the support collars marked "I" in this sketch.

She then releases the clutch by pulling the clutch trip lever, and that isn't marked on the photograph, and when the clutch is released or tripped, the tape applying arm moves downward in the direction of the two cans. The tape applying roller brings the free end of the tape into contact with the two cans.

Q. Where is that shown in these sketches?

A. That is shown in sketch No. 2.

Q. Figure 2, which is Defendant's Exhibit X-1?

A. X-1, correct. At this point the tape between the tape roller and the clutch roller is in a relaxed

(Testimony of Orville Martin Johnson.)

condition, that is, there is a slack and there is a free loop of tape. [322]

Q. Where, with respect to the pre-stripping roller?

A. The free loop extends down below the pre-stripping roller.

Q. And in that position shown in Exhibit X-1, what is the position of the buffing roller, of the buffing arm?

A. The buffing arm has also moved down into contact, or, that is, the roller on the end of the buffing arm has moved into contact with the two cans. Simultaneous with the contact of the rollers with the cans, the cans begin to rotate.

Q. In what direction, as viewed in Figure 2, which is Defendant's Exhibit X-1?

A. As viewed in Figure 2, the cans rotate in a counterclockwise direction.

Q. Approximately what is the speed of rotation of the cans?

A. The speed of rotation on the Oriental machine is approximately 60 revolutions per minute.

Looking at Figure 3, which is Exhibit No. X-2, the cans have rotated a few degrees, or, that is, an increment of full rotation, and it shows that the free loop of tape is being taken up, but in this figure the free loop has not been used up completely.

Then referring to——

Q. Excuse me just a minute. I note that apparently in [323] that Figure 3 the end of the tape

(Testimony of Orville Martin Johnson.)

is beneath—has passed beneath the buffing roller. What is the purpose of that?

A. The purpose of the buffing roller is to firmly wipe the tape into contact with the two cans.

Q. And does the applying roller, as shown in Figure 3, have any function during that operation?

A. Yes, the applying roller continues to place the tape into contact with the cans. It serves the function at that time, yes. The buffing roller merely serves to insure a good job.

Q. Now, up to the point in the operation illustrated by Figure 3, which is Exhibit X-2, has there been any tension on the end of the tape that is shown applied to the cans in that figure?

A. No, sir, there has been no tension up to that point.

Q. Now, will you proceed with your explanation of the operation?

A. Referring to Figure 4, the free loop of tape that has been provided by the pre-stripping roller has been taken up, and the rotation of the cans actually strips tape from the tape roll.

Q. The tape passing where on to the cans? What is the route of the tape?

A. The tape goes from the tape roll down to the pre-stripping roller, around the pre-stripping roller, and up to [324] the clutch roller. It goes between the clutch roller and the tape applying roller, and from there on to the two cans.

Q. Now, continuing with your explanation, what does Figure 5, which is Exhibit X-4, show?

(Testimony of Orville Martin Johnson.)

A. Moving on to Figure 5, the two cans have made one complete revolution, plus a fraction of a revolution that is sufficient to provide a tape overlap.

Q. Then what occurs?

A. At this point the tape applying arm is actuated through a cam and linkage in such a manner that the tape applying roller moved away from the two cans.

Q. To the position shown in Figure 5?

A. To the position shown in Figure 5, yes.

Q. And what effect does that have?

A. The buffing arm is individually spring loaded in the direction of the cans, so that as the applying roller moves upward it draws the tape across the knife, to sever the tape.

Further movement of the tape applying arm causes the applying arm to engage a pin on the buffing arm, to pull the buffing arm upward, also, so that it makes room for the cans to be ejected from the machine.

Q. And then do the cans continue to rotate from this position shown in Figure 5?

A. Yes, they actually continue to rotate for a few [325] degrees, and it rotates long enough so that the buffing roller can wipe the last tab, end tab of tape down to the cans.

Q. And then what happens?

A. Then further movement of the applying arm causes the arm to contact the pin, and moves both

(Testimony of Orville Martin Johnson.)

arms free of the cans, such that the cans can be ejected.

Q. What is the function of this pre-stripping roller that you have referred to in this mechanism?

A. The function of the roller, of the pre-stripping roller, is to provide slack tape, that is, a free loop of tape.

Q. At what point in the operation?

A. The loop is made when the tape applying arm moves upward to cut the tape. At that point the tape web engages the stationary pre-stripping roller, and actually the pre-stripping roller pulls tape from the roll of tape.

Q. And why is it desirable to have such a free loop of tape in this mechanism?

A. The free loop of tape is necessary so that we can insure a positive application of tape to the cans initially, so that the tape will not tend to pull off the surfaces of the cans as the cans begin to rotate. It means that for the first increment of rotation the tape is not under any tension, it is merely free or loose, and can be easily wiped to the can, and it increases the amount of tack to make a more positive [326] application.

Q. Mr. Johnson, I show you Defendant's Exhibit S, for identification, which is the Johnson Patent No. 2,652,166. Are you familiar with that patent and its contents? A. Yes, sir.

Q. Will you please state how the mechanism shown in that patent compares with the mechanism of the defendant's Dellenbarger machine, Exhibit



(Testimony of Orville Martin Johnson.)

21, which is here shown by the photographs, Plaintiffs' Exhibits 21-A and following?

A. The mechanical principle by which the Dellenbarger can banding machine operates is equivalent to the tape applying mechanism described in the Johnson patent.

Q. Now, how does the operation of the mechanism shown in the Johnson patent compare with the operation which you have described in relation to Defendant's Exhibit X, X-1, X-2, X-3 and X-4, as pertains to the defendant's Dellenbarger machine?

A. Could you read that question over again? It was a little long.

(The question was read.)

A. The mechanical principle, as described by the Johnson patent, is also equivalent to the principle of operation that we have described by going through the sketches before me. [327]

Q. And as to the method of operation, would a machine built—would a tape applying mechanism, as shown in the Johnson patent, operate the same or differently than the defendant's Dellenbarger machine?

Mr. Lewis E. Lyon: Your Honor, I will object to that on the ground the witness has not been qualified to answer the question, as to whether he ever saw a machine like the Dellenbarger machine.

The Court: Overruled. That goes to the weight. Go ahead. You may answer.

(Testimony of Orville Martin Johnson.)

The Witness: Would you read the question again, please?

(The question was read.)

The Witness: It would operate the same as the mechanism on the Dellenbarger machine. [328]

\* \* \* \* \*

Q. (By Mr. Harris): Mr. Johnson, you heard the testimony by Mr. Peterson as to a machine which was built, and taken up or sent up to the Chun King plant in Duluth, Minnesota. You heard that testimony, did you not?

A. Yes, sir.

Q. Did you personally have any acquaintance or familiarity with that machine, to which he referred?

A. Well, I do recall that Mr. Peterson had that development as one of his projects, because I was interested in projects that everyone had in the department, and I do recall him working on that machine.

Q. Approximately when was that?

A. That was in the Fall of 1950.

Q. What was the first machine that you ever saw for banding cans together end-to-end by sticky resilient tape?

A. The first machine I saw was the one that Mr. Peterson completed in our department.

Q. Did your department, to your knowledge, make any actual drawings of that first prototype machine?

(Testimony of Orville Martin Johnson.)

A. No, they didn't make any drawings of the first prototype machine.

Q. Do you know of any later machine of generally similar character made in your department at Minnesota Mining [329] & Manufacturing Company at a later date?

A. Yes, at a later date another machine was constructed.

Q. Approximately when was that, Mr. Johnson?

A. I can't answer that question, because I don't have the date.

Q. Do you know what happened to that second machine?           A. No, sir, I don't.

Q. Do you know what happened to the first machine that was sent up to Chun King?

A. I know it was at Chun King Sales for a time, and I am also aware that it took part in a packaging show in 1952, and from there I am aware that it went out to the Dellenbarger Machine Company in New York, to be used as a guide from which Dellenbarger could put out a standard production can banding machine.

Mr. Harris: That is all, your Honor. Counsel may cross examine.

The Court: Cross examine.

Mr. Harris: Oh, excuse me, one further question. I do have one further identification to make.

The Court: All right. All the documents, sketches and photographs to which this witness has testified are in the record?

Mr. Harris: Yes, your Honor, they are.

(Testimony of Orville Martin Johnson.)

Q. Mr. Johnson, I show you a drawing which is Plaintiffs' [330] Exhibit 31, for identification, and ask you if you recognize that drawing?

A. Yes, I do.

Q. How does the construction shown in that drawing compare with the actual defendants' machine, which was marked for identification as Plaintiffs' Exhibit 21, and which was here in court?

A. Well, I am aware that the Dellenbarger Machine Company assembled the machine that was in court from this drawing.

Q. And will you point out, perhaps using the photographs, Plaintiffs' Exhibits 21-A, -B, -C, and so forth, to point out what differences, if any, there are between the actual defendant's machine and the machine shown by this drawing, Plaintiffs' Exhibit 31.

A. Well, there are a few minor differences that can be pointed out. They don't affect the over-all operation of the machine, however.

One difference is the fact that the drawing does not include safety shields on both ends of the machine, whereas the actual machine did contain safety shields.

Secondly, the shaft on which the tape applying arm and the buffing arm rotate extends out from the mounting bracket on the drawing, whereas on the actual machine the shaft does not extend out from the bracket. [331]

Q. Are there any other differences that you noted?

(Testimony of Orville Martin Johnson.)

A. Yes. The drawing of the machine shows that the clutch roller, over which the tape passes, is a roller that has lends and grooves in it, that is, the lends and grooves go around the roller, whereas the actual machine has a knurled clutch roller, in which the knurls or lends and grooves are at right angles to the direction in which the tape moves.

The machine drawing has a one-way clutch also, but the clutch is an internal spring-type clutch, whereas the actual machine uses a ratchet spring to keep the roller from rotating in a clockwise direction.

There is one other difference. The drawing shows a certain type of handle on the clutch release, whereas the machine actually had a different shaped handle.

Q. Are any of those differences significant in the operation of the machine?      A. No, sir.

Mr. Harris: At this time I wish to offer into evidence these five schematic drawings that the witness has identified as Defendant's Exhibits X-, X-1, X-2, X-3, and X-4.

The Court: All right.

(The documents heretofore marked Defendant's Exhibits X-, X-1, X-2, X-3 and X-4, were received in evidence.)

[See Book of Exhibits.]

Mr. Harris: I also offer into evidence at this time [332] this drawing, which is Plaintiffs' Exhibit 31, for identification, as Defendant's Exhibit next in order.

(Testimony of Orville Martin Johnson.)

The Court: It may be received.

(The drawing formerly a part of Plaintiffs' Exhibit 31 was marked Defendant's Exhibit Y and received in evidence.)

Mr. Harris: That is all, your Honor.

The Court: Cross examine.

### Cross Examination

Q. (By Mr. Lewis E. Lyon): You are presently in the employ of the Minnesota Mining & Manufacturing Company, are you?

A. Yes, sir.

Q. The Minnesota Mining & Manufacturing Company ordered you out here, did they?

A. The boss of my department asked me to come out, yes.

Q. And ordered you to report to Mr. Harris; is that correct? A. Yes, sir.

Q. They told you that he was the attorney representing the company? A. No, sir.

Q. What did he tell you he was the attorney for? [333]

A. I understood then, and still do, that Mr. Harris was representing Oriental Foods Company in Los Angeles.

Q. You know, do you not, that your company is paying Mr. Harris in part?

A. No, sir, I did not know that.

Q. Had you talked to Mr. Harris before you were ordered out here? A. No, sir.

Q. Were you told, when you were sent out here

(Testimony of Orville Martin Johnson.)

to meet Mr. Harris, that he would tell you what to do?      A. Yes, sir.

Q. For the company?

A. If you mean Oriental Foods, but not for Minnesota Mining.

Q. I mean, for Minnesota Mining & Manufacturing Company.

A. No, sir, not for Minnesota.

Q. Just exactly what was said to you?

A. I was told that a lawsuit was taking place in Los Angeles, Chun King Sales Company of Duluth versus Oriental Foods of Los Angeles, and that I might be able to provide some information that would have a bearing on that trial.

Q. Did they tell you what information?

A. Yes. They said that it would be necessary to describe the operation of a Dellenbarger can banding machine, and I have seen several of them in operation, and they felt that [334] I would be the logical person, then, to explain it.

Q. Why were they interested in Dellenbarger machines—your company?

The Court: If he was informed. This, I gather, goes merely to show possible bias.

Mr. Lewis E. Lyon: Yes, your Honor.

The Court: And the interest of the witness.

Mr. Lewis E. Lyon: Also, to show the part taken by Minnesota Mining & Manufacturing Company in the defense of this action.

The Court: It matters only for two purposes, and that is merely to show the interest of their

(Testimony of Orville Martin Johnson.)

witnesses, and, of course, if it should develop that they are the real beneficiary or party in interest, then the court has power. But I haven't seen any such so far. [335]

\* \* \* \* \*

The Clerk: For the record, Mr. Harris, Exhibit 31 was a group of drawings. Do you, therefore, want to introduce the particular drawing of the can banding machine as Exhibit 31-A?

Mr. Harris: No, just the one drawing I examined the witness on, which is drawing 30006.

The Clerk: Exhibit 31 was originally a group of drawings. Do you want this as 31-A?

Mr. Harris: No, I want to make this drawing defendant's exhibit next in order, whatever the exhibit is.

The Clerk: Then, for the reporter, this drawing that is taken out of Plaintiffs' Exhibit 31 is now Defendant's Exhibit Y.

The Court: Let's go on, gentlemen.

Mr. Lewis E. Lyon: Let me see that, please.

(The document was handed to counsel.)

Q. (By Mr. Lewis E. Lyon): You testified that you knew that the machine that was here in court, Exhibit 21, for identification, was assembled from this drawing, Exhibit Y; is that correct?

A. Yes, sir. [337]

Q. How did you know it? Were you there?

A. I wrote to the Dellenbarger Machine Company, and asked them for a set of the drawings that they used to construct the machine for Oriental



(Testimony of Orville Martin Johnson.)

Foods, and they sent the drawings to me a week later, with a letter indicating that the machine was built from those drawings.

Q. Then the only information that you have is what someone told you by letter; is that correct?

A. No, that is not correct. I can also observe the machine and notice that the machine was constructed from those drawings.

Q. You were not present and did not see anybody assemble the machine that was here in court, were you?      A. Pardon me?

Q. You were not present in the Dellenbarger Machine Works and saw the machine assembled that was here in court?      A. No, sir.

Q. You do not know whether the Dellenbarger man who assembled the machine even had the drawing, Exhibit 31, in front of him, do you?

A. Yes, I would—I believe he did, or I don't think he could have constructed the machine, because he would need to have the drawing in order to construct the machine.

Q. The only thing is that you have been told this was a drawing that they had; isn't that correct? You weren't there? [338]

A. I wasn't there, but I was told by letter, yes.

Mr. Lewis E. Lyon: I move to strike the statement of the witness with reference to the assembly of the machine as founded entirely upon hearsay.

The Court: The motion will be denied.

Q. (By Mr. Lewis E. Lyon): Now, you stated, or you pointed out a number of differences in the

(Testimony of Orville Martin Johnson.)

machine and that which is shown by this drawing, Exhibit Y—pardon me. Where I said 31 before, it should have been “Y.” Have you pointed out all the differences?

A. I pointed out all the differences that I observed.

Q. Well, are those all the differences, I am asking you.

A. I would have to make a very thorough detailed examination of the drawing alongside of the machine before I could answer that question.

Q. And you have never done that?

A. I made an examination that took approximately a half an hour.

Q. From that examination you cannot now say whether or not you have pointed out all the differences between this drawing, Exhibit Y, and the machine, Exhibit 21, for identification; is that correct?

A. I believe I have pointed out the major differences. [339]

Q. All right. You are not willing to say that you have pointed out all the differences? Your examination has not been sufficient; is that correct?

A. I wouldn't say it wasn't sufficient, no.

Q. All right. Point out any other differences, then?

A. I would have to have the machine in front of me in order to point out the differences other than those that I have already mentioned.

Q. And you do not have that machine here?

(Testimony of Orville Martin Johnson.)

A. No, sir.

Q. Do you have any knowledge as to when this drawing, Exhibit Y, was drawn?

A. No, sir.

Q. Do you have any idea as to what the insignia in the right-hand corner of this drawing means, where it says, "11-54"?

A. I imagine that means the date.

Q. Which would be November 1954, would it not?

A. Yes.

Q. As a matter of fact, you have heard the testimony that the machine, Exhibit 21, was delivered before that date, have you not?

A. Yes, that is correct.

Q. You testified with respect to the operation of this machine, Exhibit 21, for identification, as shown by the [340] photographs, Exhibits 21-A to 21-G, inclusive, have you not?

A. Yes, sir.

Q. You heard the testimony of the prior witness, Mr. Peterson, did you not?

A. Yes, sir.

Q. Do you agree with what he said?

A. Essentially I would, yes.

Q. You agree, then, that a function of this roller, which you call a pre-stripping roller, as you have illustrated the same in the drawings, Exhibits X-1 through X-4, inclusive, was to apply tension to the tape; is that correct?

A. Would you please state the question again?

Mr. Lewis E. Lyon: Will you read the question, please?

(The question was read.)

(Testimony of Orville Martin Johnson.)

The Witness: No, that is not correct. It performs the opposite function.

Q. (By Mr. Lewis E. Lyon): As it is illustrated in Figure 5 and in Figure 4, it is acting to cause the tape to be pulled through a more circuitous route, is it not? A. Yes, sir.

Q. And you agree with Mr. Peterson's statement that under those conditions it requires more pull to pull a structure through a path, do you not?

A. We would naturally have to agree that it would take more pull, yes. [341]

Q. All right. Then in Figures 4 and 5, where it is pulling through a circuitous route, you have to admit, don't you, that it is causing more tension to be applied to the tape at that portion of the operation?

A. A very minute amount of additional tension.

Q. Did you ever measure it? A. No, sir.

Q. Did you ever physically take hold of the tape and try to pull it through there? A. Yes, sir.

Q. Did you ever unwind the tape from off of what you call a pre-stripping roller and try it?

A. Yes, sir.

Q. And it took more tension to pull it, did it not?

A. It is not measurable, so I couldn't tell.

Q. Did you put anything on there to measure it?

A. No, sir.

Q. Then how do you know it is not measurable?

A. Because I know the force required to rotate a small roller of that type is very small.

(Testimony of Orville Martin Johnson.)

Q. Do you know the magnitude of the tension which is required to stretch the Minnesota Mining & Manufacturing Company tape to cause that tape to stretch sufficiently to adhere to the side walls of the can and pass completely around the beads, as it does in this Exhibit 10 illustration? [342]

A. I do know how much force is required to stretch one-half inch wide No. 600 cellophane tape.

Q. All right. How much is it?

A. It is approximately seven and one-half pounds.

Q. You know, do you not, that the Dellenbarger machine, Exhibit 21, if it is operating correctly, applies that requisite tension in order to cause that stretch of the tape, to cause it to adhere to the tape and the side walls, do you not?

A. No, I do not know that.

Q. You do not think it will do that; is that right?

A. I doubt if the tape is stretched to the extent of seven and one-half pounds, or put under tension to the extent of seven and one-half pounds in the Dellenbarger machine.

Q. In the structure as illustrated by Exhibit 24, is that tape stretched so as to cause the tape to adhere completely to the side walls of the can and around the beads?

A. It is very difficult for me to say. I am not sure.

Q. It was this type of structure like Exhibit

(Testimony of Orville Martin Johnson.)

24 that the Dellenbarger machine, Exhibit 21, was set up to operate on, wasn't it?

A. Yes, sir.

Q. I mean, it was set up that way when it was in court here? [343]

A. No, when it was in court, it was set up to tape two cans together, not three cans.

Q. Well, had you seen it in operation in the defendant's plant, set up to operate on three cans, like Exhibit 24?

A. No, sir.

Q. Did you ever see it in operation?

A. I have seen the machine in operation many times, but not in the Oriental Company's plant.

Q. You never saw it in operation in their plant?

A. No, sir.

Q. You have testified that the drawing, Exhibit on Exhibit Y that spring operated clutch?

Y, has a spring operated clutch. Will you just mark

A. It is very difficult to see, but we can see it on this drawing, and that is this part (indicating), that the lends and grooves are high spots and valleys.

Q. All right. Just mark it there with the letter "Z." I don't think we have used that one yet.

(The witness does as requested.)

Q. The function of that spring you say is the equivalent of the ratchet mechanism which was employed in Exhibit 21-F; is that correct?

A. Yes, sir.

Q. And the function of that spring is to put a

(Testimony of Orville Martin Johnson.)

[344] resistance to the free rotation of what you call the clutch roller, as it is exhibited on Figure 21, is it not?

A. No, sir, that is not right.

Q. It does not apply resistance to its rotation?

A. It was designed to prevent the tape from backing up.

Q. Does it not apply a resistance to the free rotation of the roller?

A. Just a very minute amount, enough to rotate the roller, and that is all.

Q. And that is so the roller won't rotate forward or backward, and the same pressure is applied in each direction?

A. No, sir.

Q. Why not?

A. It is the intent of the design that the roller turn as free as possible in the direction that will allow tape to be applied to the can, whereas it will not allow rotation in the opposite direction.

Q. Did you ever see a structure made like Exhibit Y in that respect?

A. Exhibit Y?

Q. This drawing in front of you?

A. Yes, sir.

Q. You have seen a Dellenbarger machine made that way? [345]

A. No, I haven't watched them build the machine, but I have examined the Dellenbarger machine.

Q. With a spring-urge clutch in there?

A. Yes, sir.

(Testimony of Orville Martin Johnson.)

Q. And that spring-urge clutch put a resistance to the free passage of the tape through the machine, didn't it?

A. It is a free moving, or a free rotating roller in the direction in which the tape is applied.

Q. Just answer the question, please.

A. So that the amount of resistance is very, very slight.

Q. Do you know whether a machine like Exhibit Y ever functioned satisfactorily?

A. Yes, sir.

Q. Would you say that the machine which was exhibited here in court operated satisfactorily?

A. After we made some adjustments on it, yes.

Q. Would you say that this, which is an illustration of the can which was taped in that machine, illustrates a satisfactory taping? And the exhibit is Exhibit 23.

A. I can't answer that question, because I don't know what Oriental Foods' requirements are, so I don't know if that is satisfactory or not.

The Court: Would it be considered a workman-like job, that would pass the test which you apply in the art? [346]

Q. (By Mr. Lewis E. Lyon): Would that be satisfactory to you?

A. I would like to mention one thing, first, that the machine could not be expected to do a good job since the cans are dented.

Q. Just answer the question, please. Would that be satisfactory to you?



(Testimony of Orville Martin Johnson.)

The Court: It is not what you expect. The question is: Is this a satisfactory job? You used the word "satisfactory."

The Witness: I believe that is a satisfactory job, in my estimation.

Q. (By Mr. Lewis E. Lyon): To your mind, it would be satisfactory? A. Right.

Q. You heard the testimony of the witness, the plant manager, say that it was unsatisfactory, didn't you? A. Yes, sir.

Q. But to you it is satisfactory?

The Court: That is argumentative. We don't care what he heard somebody else say. You have got his answer, and that is what you want.

Q. (By Mr. Lewis E. Lyon): Now what possible difference can the dents in the cans make when the cans are wholly supported in the machine by the flanges at the ends? The end flanges aren't dented, are they? [347] A. No, sir.

Q. What possible difference can it make that the side walls are dented?

A. Well, it is conceivable that the dents could cause the cans to bounce a little bit in the machine.

Q. How? Is there anything in contact with those side walls? A. Yes, sir.

Q. What?

A. The collars on which the cans or side walls are supported.

Q. What collars?

A. The collars that are—the collars that are marked "I" on Exhibit 21-A.

(Testimony of Orville Martin Johnson.)

Q. And as you look at those exhibits, 21-A to -G, you will find the cans are wholly supported by the collars on the end flanges, and not on the side walls, will you not?

A. They are supported there, but if there are dents in the cans, it is conceivable that there could be some slippage.

Q. Slippage from what?

A. Slippage caused by the support collars marked, I believe it is "I"—

Q. Will you look at exhibits—

A. —contacting the dents in the can. [348]

Q. Will you look at Exhibits 21-A to -G, and tell me how any one of those rollers "I" could possibly contact any of those dents?

A. The rollers support the cans.

Q. On the flanges, do they not?

A. The two cans rest on the rollers.

Q. On the end flanges,—on their end flanges, and not on the side walls of the can.

A. That I am not certain. I can't answer the question.

Q. You don't know what supports the cans in the machine?

A. No, sir. It is possible that they could support the side walls.

Q. Do you know why the Dellenbarger Machine Company, in making the machine, Exhibit 21-F, that was here, serrated the rollers lengthwise, and by that I mean the roller which is marked "C" on

(Testimony of Orville Martin Johnson.)

Exhibit 21-C, instead of making it plain, as shown in the drawings, or grooved circumferentially around the roller?

A. The Dellenbarger Machine Company did not make that change.

Q. Oh, they did not. Do you know who did?

A. Yes, sir.

Q. Who? A. The Minnesota Mining. [349]

Q. And why?

A. The spring clutch arrangement has a tendency to wear out faster than the ratchet device.

Q. I am not talking about the ratchet or the spring clutch. I am talking about the longitudinal serrations.

A. Oh, I am sorry.

Q. Did Dellenbarger—

The Court: Just a moment. Give the witness a chance to answer the question, now that you have corrected your question. Go ahead.

The Witness: The machine came back to Minnesota Mining for repair and adjustment, and we wanted to revise the clutch arrangement so that it would stand up longer under production use and still incorporate the same principle or idea behind this roller. We wanted to do it as fast as we could, and as inexpensively as we could, and we felt that by knurling the roller rather than making lends and grooves that go around the circumference, we could do the job faster and at less expense.

Q. (By Mr. Lewis E. Lyon): And, also, that that roller would get a better grip on the tape that way, wouldn't it?

(Testimony of Orville Martin Johnson.)

A. No, sir. It definitely does not get a better grip on the tape.

Q. Why not?

A. Because a knurl has high spots and low spots, and [350] by the very virtue of the knurl the adhesive comes in contact with the reduced area of metal.

Q. And the knurl also has a sharp edge at the edge of the knurl, hasn't it, at each knurl?

A. Not a sharp edge. It has a flat.

Q. And that flat will tend to dig into the tape, will it not?      A. No, sir.

Q. Isn't that the purpose that we knurl an object in machine tool design.

A. It depends on what the knurl surface is going to be used for.

Q. Isn't it so that we get a better gripping surface?

A. Not when we speak of tape. No, sir, it has exactly the opposite intention.

Q. Now, when was this change made in this machine, when it was sent back to Minnesota Mining?      A. It was in the Fall of 1954.

Q. Why was Minnesota Mining interested in revising or making over so it would work a machine of the Dellenbarger Machine Company?

A. The people of Oriental Foods mentioned to our tape salesman that the machine was giving them trouble, and they would like to have it repaired, and inasmuch as Dellenbarger is located many thousands of miles away, a good [351] deal

(Testimony of Orville Martin Johnson.)

further than St. Paul is, we suggested that we would take it back to our company and repair it for them, rather than having it sent to Dellenbarger.

Q. Did you have any permission from Dellenbarger to revise their machine?

A. Yes, we did.

Q. Is Dellenbarger a subsidiary of Minnesota Mining & Manufacturing Company?

A. No, sir.

Q. What is the relation?

The Court: Let's not go into that, gentlemen. It is not material. He said that they had permission, and that is enough. Let's go to something else.

Q. (By Mr. Lewis E. Lyon): You have testified something about a machine that was exhibited at a packaging show in 1952. Were you there?

A. No, sir.

Q. Did you see the machine at the show?

A. No, sir.

Q. Did you have anything to do with sending the machine to the show?      A. No, sir.

Q. Did you see the machine that was at that show at any time?

A. That is the machine that—— [352]

Q. Just pardon me. I would like to have an answer to the question.      A. Yes, sir.

Q. Where?

A. In the tape-customer engineering department of Minnesota Mining.

Q. How do you know that the machine that

(Testimony of Orville Martin Johnson.)

you saw at the tape-customer engineering department of Minnesota Mining was the Dellenbarger machine that was exhibited at the show in 1952?

A. It wasn't a Dellenbarger machine. It was a machine designed and built by Mr. Peterson for Minnesota Mining.

Q. How do you know that that was the machine?

A. I was told it was the machine by my department head.

Q. And that is the only information you have?

A. Yes, sir.

The Court: Anything further, Mr. Lyon?

Mr. Lewis E. Lyon: Just a minute, your Honor. I am trying to find out.

Q. You have testified that you knew Mr. A. E. Johnson, the patentee of the patent, Exhibit S, for identification; is that correct? A. Yes, sir.

Q. Is he still associated with Minnesota Mining & Manufacturing Company? [353] A. Yes, sir.

Q. In Minneapolis? A. In St. Paul.

Q. In St. Paul. He is still available to testify for himself if he were called? A. Yes, sir.

Q. The two rollers or two shafts carrying the rollers "I," which you have marked on Exhibit 21, whatever it was here in front of you—I will get them——

The Court: Don't worry about those. The clerk will straighten them out. Let's finish the cross examination. Mr. Cunliffe will straighten out the records after we adjourn.

(Testimony of Orville Martin Johnson.)

Mr. Lewis E. Lyon: Yes, your Honor.

Q. —on Exhibit 21-A, provide the supports for the cans as they are being rotated, do they not?

A. Yes.

Q. And there are on Exhibit 21-A eight of such rollers "I," are there not? A. Yes, sir.

Q. And those eight rollers are all the same size?

A. Yes, sir.

Q. And they provide the equivalent for supporting in rotatable relationship to the trough or angle iron exhibited in Exhibit B, do they not? [354]

A. They support the cans as the trough does, yes, sir; the equivalent.

Mr. Lewis E. Lyon: These photographs, Exhibits A, B, C and D, did those come from the files of the Minnesota Mining & Manufacturing Company, to your knowledge, and C and D are over here?

Mr. Harris: We will stipulate they did.

Mr. Lewis E. Lyon: I want to know whether this witness brought them or not.

Mr. Harris: He did.

Mr. Lewis E. Lyon: You stipulate that he brought them with him?

Mr. Harris: Yes.

Mr. Lewis E. Lyon: All right.

Q. Now, I call your attention to the file numbers on these, A11705-1, ending with A11705-7. Does that indicate a series of those photographs?

A. I believe it does, yes.

(Testimony of Orville Martin Johnson.)

Q. And in that series there are the drawings A11705-6, and A11705-2, and -3, are there not?

A. I believe there would be those photos also.

Q. Why didn't you bring those?

A. I have never seen them.

Q. You believe that there are such photographs, however? [355]           A. Yes, sir.

Mr. Lewis E. Lyon: That is all. \* \* \* \* \* [356]

Monday, November 28, 1955, 10:30 A.M.

Mr. Harris: If the court please, first I will offer into evidence Defendant's Exhibits A and B, for identification, as Defendant's Exhibits of the same letters.

The Court: They may be received.

Mr. Harris: Next, I offer into evidence the photographs, Defendant's Exhibits C and D, as Defendant's Exhibits of the same letters.

The Court: All right. \* \* \* \* \* [361]

(The documents heretofore marked Defendant's Exhibits A, B, C, and D, were received in evidence.)

[See Book of Exhibits.]

Mr. Harris: If the court please, may I offer into evidence the file wrapper of the patent in suit, marked Defendant's Exhibit E, for identification, as defendant's exhibit bearing the same letter.

The Court: It may be received.

(The document heretofore marked Defendant's Exhibit E was received in evidence.)

[See Book of Exhibits.]



Mr. Harris: Next, if the court please, I offer into evidence the prior art patents pleaded, which are Defendant's Exhibits F through S, inclusive, as defendant's exhibits bearing the same letters. [363]

\* \* \* \* \*

(The documents heretofore marked Defendant's Exhibits F through S, both inclusive, were received in evidence.)

[See Book of Exhibits.]

Mr. Harris: Next, if the court please, I wish to offer into evidence the deposition of Eugene L. Hammond, taken on [364] November 16, 1955, as defendant's exhibit next in order.

The Clerk: That would be Defendant's Exhibit Z.

\* \* \* \* \*

The Court: All right.

(The deposition referred to was marked Defendant's Exhibit Z, and received in evidence.)

## DEFENDANT'S EXHIBIT Z

[Title of District Court and Cause.]

DEPOSITION OF EUGENE L. HAMMOND  
taken pursuant to Notice of Taking Depositions,  
under the Federal Rules of Civil Procedure for the  
District Courts of the United States, before Ralph  
E. Nelson, a Notary Public in and for the County  
of Hennepin, State of Minnesota, on the 16th day  
of November, 1955, at 950 Pillsbury Building, Min-

neapolis, Minnesota, commencing at 10:00 o'clock, a.m.

Appearances: Williamson, Schroeder, Adams & Meyers, by Everett J. Schroeder, Esq., 950 Pillsbury Building, Minneapolis 2, Minnesota, appeared as counsel for and in behalf of plaintiffs.

Harris, Kiech, Foster & Harris, by John Hofeldt, Esq., 417 South Hill Street, Los Angeles 13, California, appeared as counsel for and in behalf of defendant. [1]\*

Mr. Schroeder: I hand the court reporter the original copy of the Notice of Taking Depositions, to be secured to the copy of the depositions when prepared. These depositions will be taken pursuant to the Federal Rules of Civil Procedure of the District Courts of the United States.

Will you swear the witness, please.

Whereupon,

#### EUGENE L. HAMMOND

was called as a witness and, having been first duly sworn, testified as follows:

(Discussion off the record.)

#### Direct Examination

Q. (By Mr. Schroeder): Will you state your name, please? A. Eugene L. Hammond.

Q. And your address?

A. 8542 Third Avenue South, Minneapolis, Minnesota.

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[\*Page numbering appearing on Defendant's Exhibit Z, Deposition of Eugene L. Hammond.]

(Deposition of Eugene L. Hammond.)

Q. And your occupation?

A. I am a sales manager for the Minnesota Mining and Manufacturing Company, Ribbon Division.

Q. And you are stationed then at the St. Paul office?

A. Branch, yes, sir.

Q. Did you say you were sales manager?

A. Yes, sir. [2]

Q. You don't actively sell then, is that correct?

A. Oh, yes.

Q. Oh, you do. What territory do you cover?

A. I cover eleven states in the Midwest.

Q. Does that include Minnesota?

A. It does.

Q. What are your duties in your present position?

A. To promote the sale of the gift wrap material which my company manufactures.

Q. Is your activity limited to gift wrapping particularly?

A. Yes, sir.

Q. How long have you held that position?

A. My title of sales manager, since the first of this year, 1955.

Q. When did you go into the present work of promoting gift wrappings?

A. In 1950.

Q. And have you been involved in that activity continuously since 1950?

A. Yes, sir.

Q. Do your duties involve calling only on prospective purchasers of gift wrappings then?

A. That's correct.

Q. What were you doing prior to 1950?

(Deposition of Eugene L. Hammond.)

A. I lived in Duluth, Minnesota, and I had a Scotch [3] cellophone tape territory.

Q. By that, do you mean you were in the employ of Minnesota Mining and Manufacturing Company?

A. That's correct.

Q. What was your position at that time?

A. Salesman.

Q. And you worked directly for Minnesota Mining and Manufacturing Company?

A. That's correct.

Q. You were not an independent dealer then, is that correct?

A. No, sir, I was employed by Minnesota Mining.

Q. And you were directly responsible to whom at that time?

A. To several people, depending on the period.

Q. Well, will you name them, please?

A. Mr. Jack Young was my sales manager when I first went up there.

Q. And what was his position?

A. He was the sales manager.

Q. For Minnesota Mining and Manufacturing Company?      A. Yes, sir.

Q. And who were the others?

A. He was succeeded by a Mr. Harold Groth acting in the same capacity.

Q. Were there any others to whom you were directly responsible? [4]

A. A Mr. Ed Decker succeeded Mr. Groth.

Q. And were there any others?

(Deposition of Eugene L. Hammond.)

A. Not in that period.

Q. Then you have given me the names of three gentlemen under whom you worked directly up until the time when you received your assignment to the promotion of gift wrapping tape, is that correct?

A. That's correct.

Q. And does that include all of the men under whom you worked directly?

A. I was directly responsible to those three, yes, sir, at various times.

Q. Was there anyone else to whom you were directly responsible prior to 1950?

A. We had sales supervisors, but actually, I still remained responsible to those people that I have named.

Q. Who was your sales supervisor?

A. Mr. Harold Kosanke was one of the sales supervisors, and there was one other, Ray Fagen, R. F. Fagen I believe it is.

Q. Have you ever seen a pair of cans taped together in an end-to-end relationship?

A. Yes, sir, I have.

Q. When did you first see such a pair of cans?

A. The early part of 1949.

Q. When did you first hear of such a pair of cans being taped together?

A. That was the first, to the best of my—

Q. You had never heard of it prior to seeing it, is that correct?

A. I had never seen it before.

Q. Had you heard of it prior to seeing it?

A. No, sir.

(Deposition of Eugene L. Hammond.)

Q. And where did you first see these cans taped together? A. At Chun King Sales in Duluth.

Q. And you had never heard, prior to that time, of anyone else taping them? A. No, sir.

Q. While you were on duty in Duluth in 1949, was it part of your job to call on Chun King Sales?

A. Yes, sir, it was.

Q. And did you sell tape to them? A. I did.

Q. What kind of tape did they purchase?

A. Half by 2592 Cellophane tape, and it was colored. They also purchased, previous to that time, smaller rolls for their office use.

Q. You say that previous to that time, they purchased smaller rolls for the office use. What were the other rolls used for?

A. They were used to seal tins.

Q. By that, do you mean that the tape was utilized to seal the contents of the can?

A. No, sir, two tins together.

Q. And what was the number they used of the tape?

A. No. 600 was the way we designated colored—or I mean Cellophane tape, and then we also have to designate the color if we wish a color.

Q. Does the 600 refer to all types of Cellophane tape? A. It refers primarily to Cellophane—

Q. Tape generally. A. Yes, sir.

Q. And you could get the different colors under the No. 600, is that correct? A. Yes, sir.

Q. Are you qualified to comment on the merits of the various types of tape?

(Deposition of Eugene L. Hammond.)

A. I don't know that I am at present, but I was then.

Q. You were then? A. Yes, it was my job.

Q. Do you happen to know, was that No. 600 that they purchased the same tape that Minnesota Mining and Manufacturing Company is presently selling under the No. 600?

A. To the best of my knowledge, yes. [7]

Q. You have never heard of any changes having been made in that tape?

A. Periodically, we have changes for the improvement of the tape. I don't know anything about that however. It's of a technical nature, and I am not qualified.

Q. You are not qualified then? A. No, sir.

Q. Who did the purchasing for Chun King Sales, Inc. in 1949 and 1950?

A. Well, now, this is 1949.

Mr. Hofeldt: Purchasing what?

Mr. Schroeder: Tape.

Mr. Hofeldt: Of tape?

Mr. Schroeder: Yes.

The Witness: For the office use, I don't recall. For the material being used in the factory, Jeno Paulucci originally gave me the first order.

Q. (By Mr. Schroeder): He did?

A. Yes, sir.

Q. Something you said sounded as if you were not selling tape to Chun King in 1950. Were you?

A. No, I was not.

Q. You were not. A. No, sir.

(Deposition of Eugene L. Hammond.)

Q. You sold to them only in 1949? [8]

A. '49.

Q. When did you discontinue selling to them in '49?

A. October 1st of 1949.

Q. Why did you discontinue selling to them?

A. My responsibilities for industrial accounts were relieved from me at that time.

Q. I see. Do you recall when you first made sales to Chun King Sales, Inc. for the purpose of taping cans together?

A. In the early part of '49 sometime.

Q. Do you recall the month?

A. I do not remember exactly, but it was early spring, late winter, something like that.

Q. Of 1949? A. 1949.

Q. You stated that the first order was placed by Mr. Paulucci?

A. Yes, sir.

Q. Were orders placed at a later date by other people in Chun King Sales, Inc.?

A. Yes, sir.

Q. Who placed those orders with you?

A. To the best of my recollection, I think it was Jim Bingham.

Q. You are not sure?

A. I am not sure. By that, I mean, I don't know that he [9] put the ultimate stamp of approval on an order, or whether or not he would state what he needed and then have it approved; that I don't know.

Q. Was he the man you dealt with?

A. Yes, sir.



(Deposition of Eugene L. Hammond.)

Q. Is he the only one you ever sold to outside of Mr. Paulucci?      A. Yes, sir.

Q. Where would you contact Mr. Paulucci when you went up to Chun King Sales, Inc.?

A. They were located on Lake Avenue at that time right next to the famous Duluth lift bridge there. I don't remember the address—5 something, Lake Avenue.

Q. Would you visit Mr. Paulucci in his office?

A. Yes, sir.

Q. Where would you contact Mr. Bingham?

A. Usually in his office, which was back in the factory.

Q. Back in the factory. Just where in the factory was Mr. Bingham's office?

A. Well, relative to the floor plan, it was, as I recall, on the same floor as the office was located—which I don't remember what floor it was—but to the left as you went into the factory location.

Q. I see.

A. I do recall the Inspector, the Government Inspector's [10] office, was right next door to him.

Q. Did Mr. Paulucci at any time ever render any complaint about the quality of the Minnesota Mining tape at that time?      A. Not to me.

Q. He never did to you?      A. No, sir.

Q. Do you know that he did to anyone else?

A. That I don't know.

Q. So far as you know, Chun King Sales, Inc. was completely satisfied with the tape they received in 1949?      A. Yes, sir.

(Deposition of Eugene L. Hammond.)

Q. Did Mr. Bingham ever make any complaints to you as to the quality of tape?

A. I think I recall difficulty in the tape along the adhering—I don't know if I can exactly say it right—there was some difficulty in having the tape stick to the tins. Ruffling, I think, is what it was.

Q. Yes.

A. I don't know what that involved, I mean, what the difficulty was involved, whether it was not enough pressure applied, or what the difficulty was.

Q. Well, were they specific as to what the results were?

A. Ruffling was the end result.

Q. Well, were they complaining about the appearance then, or that the cans were coming apart?

A. I don't remember.

Q. You don't remember at all, but you do remember there was some complaint then?

A. Yes, sir.

Q. They didn't make the complaints to you though?

A. Mr. Bingham, of course, would.

Q. He did make them to you, and what did you do about that?

A. I suggested other types of tapes.

Q. Did they try different types of tapes?

A. I sampled them, as I recall, with a No. 700 series, which is of an acetate.

Q. Did Chun King Sales, Inc. people try this different type?      A. No, sir.

Q. They didn't try them?

(Deposition of Eugene L. Hammond.)

A. Not to my recollection.

Q. You offered them to them, but they disregarded your advice?

A. That I couldn't tell you.

Q. Then you don't know whether or not they tried to use these different tapes?

A. I don't recall.

Q. Did Chun King Sales, Inc. purchase much tape at that time?

A. I was very pleased with the volume of sale.

Q. Could you estimate the amount?

A. The first order, I think, was fairly sizable; it was 144 rolls, as I recall, but that later was not a big order in proportion to what they were purchasing at a later date.

Q. That they subsequently used, is that right?

A. Yes, sir.

Q. Do you have knowledge of any complaints of this No. 600 tape coming from other users?

A. I don't understand your question.

Q. Well, in 1949, did you ever hear of any other complaints about the nature of this tape No. 600?

A. From any source?

Q. From any source.                      A. Yes, sir.

Q. What were they?

A. Cellophane requires a certain amount of moisture. If it is left on a dispenser and not utilized, say, in the wintertime, in particular, with artificial heat, it will sometimes lose its stretching ability and will break, upon rolling it from the roll.

(Deposition of Eugene L. Hammond.)

Q. Then this No. 600 tape does stretch somewhat?

A. Yes, sir, to my recollection.

Q. It does.

A. There is a small amount of stretch in it.

Q. There is a small amount of stretch in it?

A. Yes.

Q. What is the nature of that characteristic with respect to the amount of tension required to make it stretch?

A. That I couldn't tell you.

Q. You don't know, but you do know that it did stretch? A. Yes, sir.

Q. Well, did you ever hear of any other user complaining, any specific user?

A. No, sir, I can't recall.

Q. You can't recall any other, but you do know that there were some complaints about it?

A. Yes, sir, we—I had some complaints.

Q. You had them yourself? A. Yes, sir.

Q. Do you remember who they were from?

A. No, sir, I do not.

Q. All that you recall is that there were some complaints? A. Very small users usually.

Q. What did you do in response to these complaints which you received?

A. I usually replaced the tape if it was justified.

Q. And let it drop there? A. Yes, sir.

Q. Would you make any report to your company on that complaint? [14]

(Deposition of Eugene L. Hammond.)

A. Yes, sir, I would.

Q. Then you wouldn't let it drop?

A. Excuse me. Yes, that's right.

Q. Would you ask your company to take steps to rectify the cause of the complaint?

A. There were means whereby that wouldn't be necessary. We have instructions on each tin which would relieve that situation.

Q. What were those instructions?

A. A small blotter placed in the tin of each Cellophane taped can asking that if the material did become dry, to moisten the blotter and seal it, seal the tin.

Q. But if you received the complaint from a user, you would normally forward that to your company, would you not?

A. Yes, sir.

Q. And ask them to do something about it?

A. Yes, sir, usually we asked permission to replace, if it was justified.

Q. Throughout this period, until you were relieved of your duties in 1949 then, did you know of anyone else utilizing tape for taping two cans together in an end-to-end relationship?

A. No, sir.

\* \* \* \* \*

Q. (By Mr. Schroeder): When you were contacting Mr. Paulucci and Mr. Bingham in an attempt to make sales to Chun King Sales, Inc., were you generally in the portion of the plant where the actual preparing operations were taking place?

A. Yes.

(Deposition of Eugene L. Hammond.)

Q. You were not in their office then, is that correct?      A. I would be there also.

Q. Well, what occasion would you have for being in the plant itself?

A. Because I dealt with Mr. Bingham after the initial or the established use of this particular tape had been made.

Q. I see. Then you didn't make the sales in his office then as you testified previously?

A. In Mr. Bingham's office?

Q. Yes.

A. That would be where I would usually get the order, yes, sir. However, that was on the same floor as the operation was taking place.

Q. In so doing, which portions of the plant would you most frequently pass through? When I speak of "portions of the plant," I am referring to the operations.

A. I was all over that whole plant. If I went to see Mr. Bingham, it would be necessary for me to trace him down, wherever he might be.

Q. I see.

A. But I generally contacted him in his office or on the same floor where the operation, the tape operation, was taking place.

Q. Why would you contact him where the tapping operation was taking place? [20]

A. To see the operation.

Q. I see.

A. I also replaced blades on the dispensers, so hence, I did see the operation.

(Deposition of Eugene L. Hammond.)

Q. Were those dispensers provided by your company?

A. They are manufactured under our specifications.

Q. Was it part of your business to replace these blades? A. Yes, sir, part of our service.

Q. And in so doing, did you observe the taping operations? A. I did.

Q. Did you study them carefully?

A. That I can't say. I was very aware of the use that the tape was being put to.

Q. In other words, you knew that the tape was being used to tape two cans together?

A. Yes, sir.

Q. No doubt in your mind about that?

A. Positive.

Q. Did you study the operation carefully so that you would know exactly how it was done?

A. Yes, sir.

Q. You could——

A. One qualification: Exactly how it was done?

Q. Yes.

A. I am relying on my memory.

Q. Well, of course; you have to. A. Yes.

Q. Could you repeat exactly how that operation was performed?

A. I can generally give you the layout if that will help.

Q. Well, I want to know how carefully you observed this operation. Did you observe it carefully

(Deposition of Eugene L. Hammond.)

enough so you could be sure you could repeat it exactly as it was performed?

A. I can't exactly repeat.

Q. It was more or less of a fairly casual observation then?

A. I would not say casual. I am quite aware of his operation.

Q. You had been made aware of it?

A. No, sir, I remember it distinctly.

Q. You remember it, but you didn't observe it carefully enough so you could reproduce it exactly, is that it?

A. If you would like to have me go over the operation, I think that——

Q. Well, I would like to know first of all whether or not you feel that you know exactly how it was performed.

A. Generally.

Q. Generally?

A. Yes.

Q. All right. You had no occasion to observe this operation subsequent to October, 1949 then, is that correct?

A. After October?

Q. Yes.

A. No, sir.

Q. So you are speaking then only from the early part of '49 to October, 1949 in the operation?

A. Yes, sir.

Q. Would you describe as best you can then this taping operation?

A. All right. There were heavy-duty dispensers which held the pressure-sensitive tape. The operators sat with the blade away from them—sat or stood, I don't recall.



(Deposition of Eugene L. Hammond.)

Q. You don't remember whether they were standing up or sitting down?

A. I do not remember.

Q. I see.

A. There was an angle iron placed in the center of the table generally; two tins were placed in the angle iron; the tape was then applied to the beading of the two tins. The operator then applied the tape, the free end of the tape, to the tins, and then the material was placed around the tins.

Q. The tape was wrapped around the tins?

A. Yes, sir.

Q. I see. Was the tape cut off from the dispenser before they proceeded to wrap the tape around? [23]

A. I don't remember.

Q. You don't remember. All you know is that they had an angle iron, they placed the cans in it——

A. They had dispensers.

Q. And they had dispensers; they pulled the tape out——

A. They pushed the tape away from them.

Q. They pushed the tape away from them?

A. Yes, sir.

Q. And the dispenser was directly in front?

A. That's correct.

Q. And they tabbed it on the cans?

A. The ends of two tins.

Q. Yes, the adjacent ends.

A. Yes, sir.

Q. The ends abutting? A. That's right.

Q. And then did they tear the tape off?

(Deposition of Eugene L. Hammond.)

A. I don't recall that.

Q. You don't recall that, but you know they wrapped the tape around the can?

A. Applied it at that stage.

Q. But actually, you are sure only of this much, is this correct, that they used the tape, and they used the dispenser, and they used a V-shaped trough, placed the cans in end to end, applied the tape to it, and then somehow wrapped the tape around the cans; you are sure of that?

A. Yes, sir.

Q. That is all you are sure of?

A. Yes, sir.

Q. You can't describe it any more adequately than that?      A. No, sir.

Q. Do you recall whether or not the girls or Mr. Bingham ever complained that their hands got sore from using this tape?      A. Yes, sir, I do.

Q. They did?      A. Yes.

Q. Did they complain that it cut their fingers?

A. Specifically, their thumb.

Q. Their thumb, I see. Did they wear any guards on their fingers?      A. Adhesive tape.

Q. Did practically all the girls have the adhesive tape?      A. That I don't recall.

Q. Is there anything you could state about the relative positions of the V-shaped trough and the dispenser other than that the dispenser was directly in front of the operator?

A. I don't understand your question.

Q. Well, was there any peculiar relationship

(Deposition of Eugene L. Hammond.)

that you know of between the dispenser and the trough? [25]

A. The only odd thing about it that I recall, why I distinctly remember it, was the fact that the dispenser was made so that you usually pull the tape with the blade toward you rather than working with the blade away from you. Therefore, the dispenser was lined up close to the operator, the V-trough was in the center generally of the table, and the cans were placed in the trough.

Q. How wide was the table, as a rule?

A. The average width of a table. It was long.

Q. It was long?           A. Yes, sir.

Q. When you say "across the width," you are speaking of transverse to the table now, is that right?

A. Well, they were sitting as we are right now, and as I am in particular, in relation to the length of the table. They were at right angles.

Mr. Schroeder: Let the record show that the witness is facing at right angles to the length of the table.

Q. (By Mr. Schroeder): How wide were these tables?           A. (No response.)

Q. You do not recall?

A. They did not appear to me to be out of the usual in width.

Q. Can you say how far the dispenser was from the V-shaped trough?           A. I do not know.

Q. So then all that you really know is that the

(Deposition of Eugene L. Hammond.)

dispenser was in front of the taper, and the trough was on the table ahead of them?

A. Yes, sir.

Mr. Hofeldt: Mr. Schroeder, "ahead of them"; I don't quite understand.

Mr. Schroeder: Ahead of the taper. Shall I add, "beyond the dispenser"? It's all right with me.

Mr. Hofeldt: Yes. Was the dispenser between the operator and the V-shaped trough?

The Witness: The dispenser was between the operator and the V-shaped trough.

Q. (By Mr. Schroeder): Do you recall any specific request by Mr. Bingham or Mr. Paulucci for a stickier tape?

A. No, I do not recall that.

Q. Do you recall them ever referring to complaints that their cans were coming apart?

A. Never once——

Q. Never once.

A. (Continuing): ——do I recall.

Q. Do you recall them complaining that the tape was breaking?

A. I never had that complaint to my recollection from Chun King. [27]

Q. Do you recall any complaint to the effect that the tape was breaking as it was being pulled from the roll?

A. I don't recall that either.

Q. As far as you know, Chun King Sales, Inc. was a very satisfied customer then, is that correct?

A. Yes, sir.

(Deposition of Eugene L. Hammond.)

Q. Did Chun King Sales, Inc. continue to buy tape from you at all times up until October, 1949?

A. Yes, sir.

Q. Do you know if they ever bought tape from other companies? A. I don't recall that.

Q. Do you recall Mr. Paulucci or Mr. Bingham ever stating anything about the relative merits of your tape as compared to other tape?

A. That I don't recall either.

Q. Do you recall Chun King Sales, Inc. or Mr. Paulucci or Mr. Bingham ever suggesting that Minnesota Mining and Manufacturing Company could help them to speed up this taping operation?

A. I don't recall any specific instance along that line.

Q. Were there any such steps taken by Minnesota Mining and Manufacturing Company?

A. Not while I was in the responsibility of that account.

Q. Do you know of any, of your own knowledge, since then?

A. I don't know. I would—I really don't know.

Q. Did you ever call at Chun King Sales, Inc. when they were not taping cans together in an end-to-end relationship?

A. You mean during the period that they had been?

Q. Yes.

A. Yes. In other words, when the line was not working?

Q. Yes.

(Deposition of Eugene L. Hammond.)

A. That particular production line?

Q. Yes. A. Yes.

Q. Was that quite frequent?

A. That I couldn't recall. There were times.

Q. There were times when they were not taping?

A. Yes.

Q. Did Mr. Paulucci or Mr. Bingham ever ask you to provide rolls of tape so that they could send them to their brokers to retape cans?

A. Not once to my recollection.

Q. What does a roll of that tape cost approximately? A. That I couldn't tell you.

Q. Do you have any idea what it sold for at that time? A. I don't even remember that.

Q. You don't?

A. No, sir. I can remember the approximate cost.

Q. What was the approximate cost?

A. I believe it was around \$1.20.

Q. A roll?

A. Yes, sir. That could vary, of course, because of quantity.

Q. Did they always use one-half inch width?

A. That's the only thing that I ever sold them for that purpose.

Q. How many tapers did Chun King Sales, Inc. have during the time that you observed them?

A. Something over six. I believe that it was more than six. However, I don't know how many more.

Q. You don't recall ever seeing less than six?

(Deposition of Eugene L. Hammond.)

A. No, sir.

Q. How long would it take a girl to tape two cans together?      A. I have no idea.

Q. No idea at all. Could you approximate the number of cases a girl would tape in one day?

A. I have no idea.

Q. Yet you did see this operation quite frequently?      A. Oh, yes, oh, yes.

Q. Would you say it would take over a minute to tape the cans?

A. I would say somewhat less than that.

Q. Somewhat less than a minute?      A. Yes.

Q. Did you ever call on Chun King Sales, Inc. subsequent to their moving to their new plant?

A. No, sir, I have not called on them since October of 1949.

Q. And they moved subsequent to that date, did they?      A. I assume they have.

Q. Have you been to Duluth since then?

A. Yes, sir.

Q. And have you observed that they have moved?      A. No, sir.

Q. How did you know they had moved?

A. I am acquainted with salesmen who live—our salesmen who live in the Duluth area.

Q. I see, and they have told you that they are no longer at their old location?

A. Yes, sir, and I was in Duluth during vacation period too, and I happened to go by that old location.

(Deposition of Eugene L. Hammond.)

Mr. Schroeder: That is all I have. Do you want to cross examine?

Mr. Hofeldt: Yes.

### Cross Examination

Q. (By Mr. Hofeldt): Now, Mr. Hammond, you have testified you are a sales-manager for Minnesota Mining and Manufacturing Company, Ribbon Division. Are you an officer of that company?

A. No, sir.

Q. You are merely an employee of that company? A. Yes, sir.

Q. As a Cellophane tape salesman for Minnesota Mining in the year 1949—which I believe you testified was your position at that time? A. Yes.

Q. (Continuing): —just generally, what were your duties?

A. I was responsible for retail, consumer and industrial usages of Cellophane tape. I had what we call a combination territory.

Q. Did you have many industrial users in the Duluth area? A. Very few.

Q. In the year 1949, how did Chun King Sales rate as an industrial user in your territory?

A. It was my largest industrial account.

Mr. Schroeder: Excuse me, John. Off the record.

(Discussion off the record.)

Q. (By Mr. Hofeldt): Have you had anything to do with industrial sales of Cellophone tape since October, 1949? A. No, sir.

Q. Now, you gave some figures, which I assume



(Deposition of Eugene L. Hammond.)

were dimensions of tape, of the type of tape you sold to Chun King Sales for this taping operation. You said "one-half by 2592." What does the one-half mean? [32]

A. One-half inch wide and 2592 inches long.

Q. And you stated that tape was colored?

A. Yes, sir.

Q. What colors did you sell to Chun King Sales, if you recall?

A. Well, my recollection is that they were—it was split. Of 144 rolls, that first initial order, it was 72 rolls of green and 72 rolls of red.

Q. You remember the actual number of rolls sold in that first order? A. Yes, sir, I do.

Q. Is there any reason for the memory?

A. Well, they were trying to get a tape color that would harmonize with the labels of the tins that Chun King Sales were going to offer on a one cent sale basis, making one unit out of two tins, in other words. I believe there were two items they had, so hence they had two colors.

Q. Now, this first order: How did you happen to get that order—from Mr. Paulucci, I believe you testified?

A. My initial contact had been with the office. I made a call there with a jobber salesman—which was part of my duty to work with jobbers in the area—and I believe that I was familiar with the account because I had called on the office, and at that time, I don't think I pursued it any further than that. I received a phone call from Chun King

(Deposition of Eugene L. Hammond.)

Sales at my home, and I believe it was during the early part of 1949 that this all took place. So I went down there at their request; I made that call at their instigation.

Q. Did they tell you at the time what they wanted this tape for?

A. It evolved during the conversation what the need for the tape was. I was quite aware at that time that they planned to tape the two tins together and offer it as a one cent sale unit.

Q. Do you mean by that that you were aware of their use for this tape before you got the order?

A. Yes. It led up to the order.

Q. Who gave you that first order?

A. Mr. Paulucci.

Q. Did you deliver that tape?

A. They were in a great rush for it, as I recall, and I think that I telephoned St. Paul branch sales office and had them put the material on a bus, and I picked it up the next morning at the bus terminal and delivered it to them.

Q. When you delivered this tape to them on the next morning, did you stay around to watch the operation?

A. I can't recall; I can't recall.

Q. You had occasion later to observe this operation?

A. Yes, sir.

Q. Can you give us an idea how often?

A. All I can say is, frequently. I don't recall how often; that is, whether it was once a week—I know that it was once a week there at first, and

(Deposition of Eugene L. Hammond.)

later, as the operation smoothed down, it would require less attention. I also had the rest of my territory to cover, so I don't believe that it remained constant at once a week or so or more often than that.

Q. You mean throughout this entire period, you saw this operation at least once a week?

A. No, sir, in the early parts. Later, maybe two weeks or maybe three weeks would go by.

Q. Now, you stated that this was a No. 600 tape, and you also stated, I believe, that it was a stretchy tape, is that correct?

A. No. 600 at that time designated a Cellophane backing tape, and there is a certain amount of stretch in Cellophane tape.

Q. Did Mr. Paulucci ask for a No. 600 tape?

A. No, sir.

Q. Who suggested it?

A. It was my suggestion.

Q. What reason, if any, did you have for suggesting that particular tape?

A. As I recall, there would be two reasons: One, we have that immediately available, and two, it's a little less expensive than some of the other types of tape. Or may I change that. It was a little less expensive than other types of tape.

Q. Now, you stated that Mr. Bingham complained about the difficulty in the tape adhering. What do you mean by "adhering"?

A. Sticking.

Q. Sticking to what?

(Deposition of Eugene L. Hammond.)

A. Sticking to the object that it's placed against.

Q. You mean it just fell off of the tins?

A. Cellophane pressure-sensitive tape requires a certain amount of pressure to make it adhere.

Q. Now, you spoke, in regard to this adhering, of ruffling, is that correct? A. Yes, sir.

Q. What is ruffling; what do you mean by that?

A. Well, if the proper amount of pressure isn't placed against something that is circular, the edges will ruffle.

Q. Now, these cans that they—by “they,” I mean Chun King Sales—were taping together, did they have beads on them? A. Yes.

Q. What do you understand by the term “beads”?

A. It's a ridge on the top and bottom of a tin.

Q. On the very top and bottom? [36]

A. It's along the side of the top—around the side of the top, I should say, to describe beading.

Q. Now, did the width of the tape exceed the width of the two beads?

A. I would say slightly.

Q. Did the tape adhere only to the beads, or did it adhere to the side of the can as well?

A. I don't know.

Mr. Schroeder: Off the record.

(Remarks off the record.)

Q. (By Mr. Hofeldt): Well, I don't understand what this ruffling is.

A. A ruffle—Well, let's assume that you have a circular object, and there is a ridge on this circu-

(Deposition of Eugene L. Hammond.)

lar object, such as a can of food of some sort. If we understand what the beading is, there is a ridge on the edge of the tin. The tape, if a proper amount of pressure was not applied to that, would not conform to the edges, and would therefore produce a ruffling effect. Instead of a smooth appearance, it would have waves in it.

Q. Well, was this ruffling a common occurrence in the taping operation of cans in an end-to-end relationship by Chun King?

A. There was some ruffling.

Q. Did you observe any cans in which there was no ruffling?           A. Yes, sir.

Q. In those cans, did the edges of the tape adhere to the sides of the cans immediately adjacent to the beads?

A. Well, let's say if an operator did not do a good job, there would be some tape adhering to the edge of the tin. If they didn't get it perfectly around the center holding the two tins together, there would be a waving or a weaving, let's say.

Q. And if they did apply it perfectly, what then happened? How did the tape look on the beads and on the adjacent portion of the cans?

A. As I recall, our first samples, on which we, of course, took care to apply the adhesive, the tape, to it, the appearance was very pleasing in that the tape would conform to the beading. Now, I don't know how wide the two beads would be, so therefore, I don't know whether or not the tape would extend beyond the beading.

(Deposition of Eugene L. Hammond.)

Q. But it did conform in some instances to the beads of the cans? A. Yes, sir.

Q. And how often did that occur where it did conform to the beads of the can as compared to this ruffling?

A. Well, I would say generally it conformed. That was what they were aiming at, of course. It would be a better appearing unit.

Q. And how, if you know, did they make it conform to the beads of the cans?

A. How do I know?

Q. How, if you know, did they make it conform? A. I don't know.

Q. Now, you stated that in relation to this ruffling problem that Bingham mentioned to you, that you then suggested other types of tape, and I believe you mentioned a No. 700 acetate?

A. Yes, sir.

Q. Why did you suggest that particular type of tape? A. I don't remember.

Q. Is it a stretchy tape?

A. To the best of my recollection, it has a little less stretch than Cellophane.

Q. And you mentioned on your direct examination that at times, Cellophane tape of the type you were furnishing to Chun King lost its stretching ability due to the drying out of the Cellophane because of artificial heat in the wintertime. Was that a complaint of Chun King?

A. That I do not recall.

Q. Did Chun King order this tape that they

(Deposition of Eugene L. Hammond.)

were using for the taping operation of cans end-to-end on a fairly steady basis?           A. Yes, sir.

Q. Did they, if you know, use the tape quite soon after it was received?

A. Yes, sir. In fact, they were usually in a hurry for it. It was on a rush basis.

Q. I think everyone else here understands—and I don't—the relationship of this equipment to the other equipment and to the operator. Now, where was the operator in relation to the table?

A. Sitting alongside it—or standing. Now, that's a point I don't recall. I can't recall whether they were standing or sitting.

Q. Where, in relation to the operator, was the dispenser?           A. Directly ahead of them.

Q. And now, taking the dispenser, the roll of tape, in relation to the cutting blade on the dispenser, in what direction did the dispenser face?

A. Away from them.

Q. By "away," what do you mean?

A. Generally, the dispenser is designed to pull the tape toward you before you cut it off. In this respect, it was reversed. The blade was facing away from the operator, so hence they had to push the tape away from them to make it unwind from the roll.

Q. Was the roll of tape on the dispenser closer to the operator than the cutting bar was?

A. Yes, sir.

Q. All right. Now, with respect to the angle iron,

(Deposition of Eugene L. Hammond.)

I guess you called it, where was it in regard to the dispenser?

A. It was farther away from the operator than either the dispenser or the cutting edge on the dispenser.

Q. Now, starting with the operator, you had the dispenser? A. Correct.

Q. The cutting bar to the dispenser was away from the operator? A. Yes, sir.

Q. The angle iron was further away?

A. Yes, sir.

Q. In relation to the dispenser, the angle iron was closer to the cutting bar than it was to the roll of tape on the dispenser? A. Repeat that.

Q. Well, let me rephrase that question. Was the angle iron closer to the cutting edge of the dispenser than it was to the roll of tape on the dispenser? A. Yes, sir.

Mr. Schroeder: Will you repeat that question, please.

(The question was read by the reporter.)

Q. (By Mr. Hofeldt): I am going to show you figure 3 of a copy of the Paulucci Patent No. 2679281, dated May 25, and entitled "Method and Means for Securing Cans Together"—

Mr. Schroeder: I object to any question on that, John, on the ground it's outside the scope of the direct examination.

Mr. Hofeldt: Well, I am trying to get at the relationship of the various pieces of equipment,



(Deposition of Eugene L. Hammond.)

and I am using this merely for illustrative purposes with the witness.

Mr. Schroeder: Why don't you use just a piece of paper?

Q. (By Mr. Hofeldt): Calling your attention to figure 3 of the Paulucci Patent, is the angle iron there and the tape dispenser in the relationship that they were when you observed that in 1949 at the Chun King Sales factory?

A. Yes, they—they are.

Q. Calling your attention on figure 3 to the numeral 2, does that look like the dispensers that were used? A. Yes, sir.

Q. Is the cutting bar in the same place on that picture, on figure 3, as it was in the operation of Chun King in 1949? A. Yes, sir.

Q. Now, this angle iron: What was roughly its shape? A. V-shape.

Mr. Hofeldt: Just off the record.

(Remarks off the record.)

Q. (By Mr. Hofeldt): Was the corner of the V-shaped angle down in the Chun King operations in 1949? A. Next to the table, yes.

Q. It rested on the table? A. Yes, sir.

Q. Was the V-shaped angle iron attached to the table? A. I don't remember.

Q. Do you recall that it was necessary to hold the angle iron from falling over on its side?

A. I don't recall how it was.

Q. But it was with the two legs of the V up in the air?

(Deposition of Eugene L. Hammond.)

A. Gravity would say that it would have to be supported.

Q. Now, these dispensers that were furnished to Chun King—did they have rubber feet on them?

Q. Yes, sir. Correction: I believe that they purchased them.

Q. Now, you were asked on direct examination about the distance of the dispenser from the V-shaped trough, and I don't recall your answer.

A. I don't recall what the distance was.

Q. Well, there was some distance between the two?      A. Yes, sir.

Q. Now, you were also asked about some complaints about cans coming apart, and you said you knew of none. Did you ever have any complaints about scuffing of the tape?

A. There was one. To apply the tape, the tins apparently had been rotated in this one instance, and it marred the appearance on the outside of the tape.

Q. Around the beads of the cans?

A. That's right; that's right.

Q. When you observed this operation on the several occasions you have mentioned at the Chun King plant, did you observe the cans being rotated as the tape was being applied to them?

A. Vaguely in my memory, yes.

Q. Now, the tape that was sold to Chun King Sales throughout this period—was it this No. 600 tape?

A. To the best of my knowledge.

(Deposition of Eugene L. Hammond.)

Q. And they were industrial rolls, I believe you said? A. They were a standard size roll.

Q. And that is 2592 inches in length?

A. Yes, sir.

Q. Did Chun King to your knowledge have any other use for this No. 600 tape?

A. Not to my knowledge.

Q. Now, you mentioned they did purchase Cellophane tape for office use? A. Yes, sir.

Q. Was that in large quantities?

A. Very small quantities, and a different sized roll.

Q. Approximately, what is the diameter of a 2592-inch roll of Cellophane tape?

A. I know the core size.

Q. And what is that?

A. It's three inches. I don't know what the outside diameter with a full roll of 2592 inches of tape would be, but quite often that is referred to as a three-inch diameter core.

Q. And then the convolutions of the tape around—— A. Would be larger than that.

Q. (Continuing): ——would add to the size of the core? A. The circumference, yes, sir.

Q. This half-inch width of tape that was used by Chun King Sales—who suggested that particular width, if you recall?

A. I believe that we tried in the initial interview several widths that I had with me, which I would have in my samples. I would have a three-quarter inch width and a half-inch. Those were

(Deposition of Eugene L. Hammond.)

the two most popular widths. And I believe it was—we settled on the half-inch width, because it did the job adequately and, of course, reduced the costs as opposed to the wider widths.

Q. You mentioned “we” tried. Who was that?

A. As I recall, there was Mr. Paulucci, and myself, and there was one other person in the room, an older fellow.

Q. Do you recall his name?

A. Lee, I think; I’m not sure.

Q. Did you yourself, on this first occasion that you have testified about, try to put tape around the beads of the cans?      A. Yes, sir.

Q. Would you describe how you did that?

A. I don’t remember too much about it.

Q. Did you apply any pressure to the tape as you were applying it?

A. I would normally apply it, because as a salesman I would wish to make the tape appear in its best possible role.

Q. Did you try the three-quarter inch tape?

A. I don’t remember whether I did directly or not.

Q. Why was it decided not to use three-quarter inch tape, if you know?

A. I don’t know why actually, but I assume—Maybe I shouldn’t do that.

Q. I forgot to ask you: In relation to figure 3 of the Paulucci Patent, where was the operator, looking at this?

A. On the right-hand side of the diagram here.

(Deposition of Eugene L. Hammond.)

Q. By "the diagram," you mean figure 3?

A. Figure 3.

Q. Now, you have mentioned that there was some trouble with regard to the operators' fingers in cutting the tape lengths, that they cut their fingers and had to use adhesive tape around them to protect their fingers, is that correct?

A. Specifically, their thumb.

Q. Specifically, their thumb, and how did they injure their thumb?

A. The dispenser blades are of a serrated type, and they are manufactured, produced, very hurriedly, they are quite inexpensive, and therefore, they have jagged edges sometimes, and I would assume it's because they were working with a dispenser in an abnormal position, which placed the blade in an awkward position to cut the tape.

Q. To cut a piece of tape by use of the blade on the dispenser, does the tape away from the blade have to be taut?

A. The tape away from the blade?

Q. Away from the blade and away from the roll.

A. Yes, sir.

Q. To use the cutter bar, it has to be taut?

A. Yes, sir.

Mr. Schroeder: Were you speaking of the tape between the hand and the blade or on the opposite side?

The Witness: Between the hand and the blade.

Mr. Schroeder: Not necessarily though on the other side of the hand?

(Deposition of Eugene L. Hammond.)

The Witness: No, that could be free as long as the tape has pressure at the point of the blade, and the hand comes down.

Mr. Hofeldt: Off the record.

(Discussion off the record.)

Q. (By Mr. Hofeldt): Throughout this period of 1949, from early 1949 to October, 1949, that you observed these operations in the Chun King plant—by “operations,” I mean taping the cans together in an end-to-end relationship—was there any change in the type of tape that was ordered?

A. Not to my recollection.

Q. Was it part of your duties as a tape salesman to observe the operations that involved your tape?      A. Yes, sir.

Q. So you made a point of observing these operations?      A. Yes, sir.

Q. In the Chun King plant?      A. Yes.

Mr. Hofeldt: I believe that is all.

Mr. Schroeder: I have just a couple more questions.

#### Redirect Examination

Q. (By Mr. Schroeder): With regard to the taping operation again, do you recall whether the cans at all times remained within the V-shaped trough, or were they sometimes removed from it and the tape applied afterwards?

A. I recall that they were lifted slightly to relieve any scraping along the beading on the bottom of the angle iron.

Q. I see.      A. I do recall that.

(Deposition of Eugene L. Hammond.)

Q. They lifted them up?

A. In some cases, they did, yes.

Q. In some cases, they just rolled them in the V-shaped trough?

A. Yes, but it did present the problem of scraping at the time, so I think the operators, as they became more experienced, would raise it slightly to facilitate the operation.

Q. I see, and just apply the tape?

A. Right.

Q. You testified that you are not an officer of Minnesota Mining?      A. No, sir.

Q. You wouldn't like to see them lose this lawsuit though, would you?

A. Well, I don't know that they are involved.

Mr. Schroeder: That is all I have.

#### Recross Examination

Q. (By Mr. Hofeldt): You said that they sometimes raised the cans slightly, but they were still within the legs of the V-shaped trough, were they?

A. One end was. One end would remain, you see, down when they lifted the other side up, and after they had applied — Let's assume that they have about half of the circumference or less, with the tape adhering to both beads, both tins, and then they would lift slightly and spin the tin. Now, I do recall that taking place.

Q. Was that a two-handed operation to raise the tins?

(Deposition of Eugene L. Hammond.)

A. One to lift the tins and the other to apply the tape.

Q. I am speaking now of when you said you raised them slightly in the V-shaped trough.

A. Yes, sir.

Q. What do you mean by "apply the tape"? You said "one hand to apply the tape."

A. As I recall the operation, in lifting the one tin after they had applied pressure to the tape, to the beading, it would then stick enough so that they could finish the revolution of putting the tape around with their fingers. By lifting the tin, they would facilitate the spinning or the turning of the two tins then, and would relieve any scraping that might take place of the beading, the tape against the angle iron, the V.

Q. If they cut off a piece of tape from the roll before applying, would the sticky side of the tape be down?      A. Yes, sir.

Q. Necessarily?      A. Yes, sir.

Q. That would have allowed the free end or the cut end to drag?      A. It could.

Q. Do you know what the purpose of the V-shaped trough was?

A. Merely to align the edges of the beading of both tins, I think. I don't know.

Q. Well, in the observations that you made of this operation, is that what it was used for?

A. Yes.

Mr. Hofeldt: I guess that is all.

Mr. Schroeder: That is all I have.



(The reading and signing of the deposition by the witness was waived.)

(Whereupon, at 11:30 o'clock, a.m., the deposition was duly concluded.)

[Endorsed]: Filed November 21, 1955.

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Mr. Harris: I wish next to offer in evidence as the defendant's exhibit next in order the depositions of Evert N. Forsberg, Harvey C. Ramsey, Horace James Lee, and James Edward Bingham, taken at Duluth, Minnesota, on October 11 and 12, 1955. [365]

Mr. Lewis E. Lyon: Your Honor, there is only one thing, so far as the testimony of Mr. Bingham is concerned, Mr. Bingham was in court, and he has testified. He is not an officer of the plaintiff corporation.

Mr. Harris: That is correct, your Honor, and I will be glad to go over the deposition with him, but to save the time of the court I think we can simply agree that the court may——

The Court: In the case of witnesses present, I would rather hear the oral testimony rather than read their deposition. [366]

\* \* \* \* \*

Mr. Harris: Then, if the court please, may the depositions of Forsberg, Ramsey and Lee, which I have offered, be admitted into evidence? They are all residents of Duluth, Minnesota, and are not here in court.

The Court: All right. They may be received.

\* \* \* \* \*

The Clerk: The deposition of Evert N. Forsberg is marked, for identification, as Defendant's Exhibit AA, and is admitted into evidence.

The deposition of Horace James Lee is identified as Defendant's Exhibit AB, and the deposition of Harvey C. Ramsey is identified as Defendant's Exhibit AC. All of these, Exhibits AA, AB, and AC, are admitted in evidence. [367]

(The deposition of Evert N. Forsberg was received in evidence and marked Defendant's Exhibit AA; the deposition of Horace James Lee was received in evidence and marked Defendant's Exhibit AB; and the deposition of Harvey C. Ramsey was received in evidence and marked Defendant's Exhibit AC.)

#### DEFENDANT'S EXHIBITS AA-AB-AC

[Title of District Court and Cause.]

#### DEPOSITIONS OF EVERT N. FORSBERG, HARVEY C. RAMSEY, HORACE JAMES LEE

Taken at the instance of the defendants in the above entitled actions, under the Rules of Civil Procedure for the District Courts of the United States, pursuant to notice annexed in each of said actions, and to stipulation hereinafter noted, before Lee A LaBaw, a notary public in and for the County of St. Louis, State of Minnesota, at the offices of Nye, Montague, Sullivan, Atmore & McMillan, 1200 Alworth Building, Duluth 2, Minne-

sota, on the 11th day of October 1955, commencing at 10:00 o'clock a.m.

Williamson, Schroeder, Adams & Meyers, 950 Pillsbury Building, Minneapolis 2, Minnesota, by Mr. Everett J. Schroeder, appeared on behalf of the plaintiffs in each of said actions; Harris, Kiech, Foster & Harris, 321 Subway Terminal Building, 417 South Hill Street, Los Angeles 13, California, by Mr. John W. Hofeldt, appeared on behalf of the defendant Oriental Foods, Inc.; and Haight, Goldstein & Haight, 209 South LaSalle Street, Chicago 4, Illinois, by Mr. John W. Hofeldt, appeared on behalf of the defendants Hung K. Tom and Ann Wong Tom, copartners doing business as Min Sun Trading Company, and Min Sun Trading Co., a corporation.

\* \* \* \* \*

### EVERT N. FORSBERG

having been duly sworn by the notary, testified as follows:

#### Cross Examination

Q. (By Mr. Hofeldt): Would you state your full name?      A. Evert N. Forsberg.

Q. How old are you, Mr. Forsberg?

A. Forty-one.

Q. Where do you live?

A. 1907 Kent Road.

Q. Where are you employed?

A. Chun King Sales, Inc.

Q. That is one of the plaintiffs in both of these actions?      A. Yes, sir.

(Deposition of Evert N. Forsberg.)

Q. What are your duties at the present time with Chun King Sales?

A. I am in charge of traffic.

Q. And, briefly, what does that entail?

A. It entails the receiving and the shipping of merchandise.

Q. Now, the receiving end, does that mean all the products that Chun King Sales would receive for use of conducting its business?      A. Yes.

Q. All the equipment, supplies, et cetera?

A. Yes.

\* \* \* \* \*

Q. Is it your function to take over when the sales are made to ship to the various customers?

A. Yes.

Q. Did you have any duties previous to the present with Chun King, other than those you have mentioned heretofore?

A. The traffic department entails close association with all departments.

Q. How long have you been with Chun King Sales?      A. Since 1947.

Q. What were your first duties with Chun King Sales?      A. With traffic.

Q. And your duties have not changed over the years at any time, have they?

A. No, that is my fundamental job, is traffic.

\* \* \* \* \*

Mr. Hofeldt: Incidentally, Mr. Reporter, I would like it noted on the record that Mr. Lee, Mr.

(Deposition of Evert N. Forsberg.)

Paulucci, and Mr. Ramsey are present at the taking of this deposition.

\* \* \* \* \*

Q. Just where in the process of the shipping of products do you take over, in what condition, in other words, are those products when you take over?

A. When they are in completed cases.

Q. When they have been completely cased. If there are any rejects of products, do they come back to you?

A. Yes, they would come through me.

Q. To the best of your recollection, when was the first time that Chun King Sales packaged products in cans and sold them when the cans were affixed to each other?      A. I would say 1948.

Q. And in 1948 how were those cans affixed to each other?

A. They were put together with tape.

Q. Were they taped end to end as opposed to side to side?      A. Yes.

Q. You understand what I mean, "end," the end of the can, I am referring to the part it sets on normally or the opposite part, and when I refer to the sides, that is the round part of the can. Were you familiar with the operation of taping those cans together back in that year?      A. No.

\* \* \* \* \*

Q. Did you ever have occasion to go around the plant?      A. Yes.

(Deposition of Evert N. Forsberg.)

Q. Did you do that daily, hourly, or how frequently did you go around?

A. Oh, I had occasion to go out at least once a day.

Q. Did you have occasion to observe this operation of putting the cans or taping the cans end to end?

A. Oh, I have seen them do it.

Q. Back in 1948 when you observed this operation was it done on a table or on the floor or what?

Mr. Schroeder: He didn't say he observed it in '48; he only said that he knew they sold such cans in '48.

Mr. Hofeldt: Then strike that question and let me ask this one:

Q. In 1948 did you observe this operation?

A. I am not sure of the dates.

Q. Well, when is the earliest time that you recall seeing this operation of taping cans together end to end?

A. About 1950.

Q. Was this method of packaging Oriental Foods wherein cans of separate items were taped end to end, was that a new method as far as you were concerned, a new method of packaging?

A. As far as I was concerned, yes.

Q. Did it make any effect upon you, were you interested in that particular method?

A. Yes, I was interested.

Q. Did your volume of shipments increase at the time you first knew of this method of packaging?

A. Yes, I would say they did.

(Deposition of Evert N. Forsberg.)

Q. Well, can you answer, then, was the increase in volume of shipping a startling one?

A. The increase of all of Chun King's business has been startling.

Q. Well, let's take just that, the packs that were put in cans and sealed end to end by tape.

A. Yes, I would say it was, and all of the rest of our items followed in line, also.

\* \* \* \* \*

Q. Now, in 1950 you say, to the best of your recollection, you first observed this method of packaging wherein the cans were affixed end to end by tape, is that correct?      A. Yes.

Q. Did you have occasion to observe how the taping was done?

A. I have never observed in detail.

Q. Well, will you answer my question: You had occasion to observe how it was done, generally?

A. Yes.

Q. Do you remember the equipment used back in 1950?      A. No, I don't.

Q. Do you recall whether a trough of any kind was used?      A. I don't recall.

Q. Was this a machine process of taping the cans, or was it a manual process?

A. It was a manual process.

Q. Were women or men doing this?

A. Women.

\* \* \* \* \*

Q. Did you have occasion in the shipping of these products to ever see how they were taped

(Deposition of Evert N. Forsberg.)

together, what type of tape, rather, was used?

A. Why, I have seen them taped together.

Mr. Schroeder: Was that your problem, the manner in which they——

A. No, that was not my problem; my problem was the shipping and receiving.

\* \* \* \* \*

Q. Did you have any rejects of cans that were taped together in end-to-end relationship? Now, start in 19—well, the first time you can recall?

A. I don't recall any actual rejects; there may have been; they may have just sent in labels to substantiate a claim as such.

Q. Had you been told, prior to the time that Mr. Paulucci told you of the new method, that the old method was not satisfactory?

A. I knew that from my own experience on that in talking to our own men in the field, and our brokers.

Q. What did they tell you?

A. That they observed, on various shelves, that they were coming apart.

Q. Did you get any rejects from those people?

A. No; as I recall it, we attempted as much as possible, to retape them.

Q. Where?

A. Well, in most instances, I imagine the brokers would do it themselves.

Q. Did any of these brokers tell you how they were taping them together when they were retaping them?



(Deposition of Evert N. Forsberg.)

A. No, except I imagine they tried to duplicate what we were doing.

Q. Did they know what you were doing?

A. They knew that we were affixing the two cans with tape.

Q. Is that all they knew?

A. To my knowledge, that is all they knew.

Q. You didn't tell them how to retape them, did you?      A. No.

Q. So they were left to their own devices?

A. Yes.

Q. Did you ever see one of these brokers retape a can?      A. No.

Q. You said that some of the brokers complained to you, is that correct?      A. That is right.

Q. Do you recall the names of any of them that did?      A. I don't recall any names.

\* \* \* \* \*

Q. Did you notice any sharp increase in the amount of tape that was coming through your hands?      A. Yes.

Q. And when was that?

A. I don't recall the exact dates.

Q. About when?

A. I would say about 1949 or 1950.

Q. Was it a sharp increase in the amount of tape?

A. When you say "sharp" will you elaborate more on that.

Q. All right. Prior to the time that you can recall that Chun King was sealing cans in end-to-

(Deposition of Evert N. Forsberg.)

end relationship, using tape, did you ever, prior to that time, receive any tape for industrial use from anybody?      A. None that I recall.

Q. What is the first order that you recall?

A. I do not recall any specific order.

Q. Well, as I understand it, prior to a certain date you never received any tape for industrial use, is that correct?      A. To my knowledge.

\* \* \* \* \*

Q. Now, in the shipping of your products, did you keep separate records for the products that were shipped with the cans joined together by tape as opposed to the products that were not?

A. Not separately, no.

Q. They were just all run together?

A. Are you referring to invoicing or——

Q. Well, let's start with invoicing.

A. No, they were not kept separate on the invoice.

Q. They were kept separate some place?

A. Well, no place that I recall.

Q. You have no records for that, to show the separation?

Mr. Schroeder: If you don't know of any, just say so.

\* \* \* \* \*

Q. Do you know when the new method, as related to you by Mr. Paulucci, went into effect?

A. I would say only, to the best of my knowledge, when we moved into our new plant.

Q. Had you been shipping products with the

(Deposition of Evert N. Forsberg.)

cans taped end to end continuously up to that point?      A. Yes, I would say so.

Q. In other words, there was no interruption when you changed over from one method of taping to another?      A. No, I don't believe so.

Q. About the same volume prior to this date and after?

A. The volume of Chun King has increased steadily since its inception.

Q. Well, ignoring that factor, a natural increase in business, was there anything out of the norm from the time just before August of 1951 to after that time?

A. Well, that is a hard question to answer, because our increases have been—to make a comparison in there.

Q. But you did ship continuously products in cans joined end to end by tape?      A. Yes.

\* \* \* \* \*

Q. Did you receive any rejects from your customers after August 1951?

A. None that I recall.

Q. They just stopped at that point?

A. When you are saying about "rejects," is that—for what reason?

Q. All right; what reasons did you have for having rejects?

A. Well, you will have a reject for dented cans that could happen in transit or any business firm is going to have a certain percentage of that.

Q. All right. Just direct your attention to re-

(Deposition of Evert N. Forsberg.)

jects because of something to do with the taping of cans end to end; you had rejects prior to August 1951, for that reason?

A. Well, we had complaints, as I stated before, from our own men and from our brokers.

Q. But none came back?

A. There may have been, but I do not recall any.

Mr. Schroeder: What would you do about the complaints?

A. We would send the tape either to our own men or to the broker.

Q. (By Mr. Hofeldt): Would you send that tape?

A. I would instruct our sample department to do that.

Q. What kind of tape did you tell them to send?

A. The same as what they were using in the plant.

Q. Did you follow through to make sure that they were following your instructions?

A. Well, I would follow through to the extent that I knew it was done.

Q. What instructions did you give these men, if any, on taping?

A. I didn't give them any instructions.

Q. You just said, "Go out and tape."

A. They were the ones that requested it.

Q. The customers now, the brokers, is that right? A. The brokers.

Q. That is what you referred to as "they" in the preceding answer? A. That is right.

(Deposition of Evert N. Forsberg.)

Q. And, generally, what were those requests?

A. Well, they would notice themselves that the cans were parting on the shelves and a product will not sell that is in an unsalable condition and they would want to put it in a salable condition.

Q. Did you give your men that went out—and when I say “you” I am talking about Chun King Sales—any equipment other than tape?

A. No.

Q. In other words, they were supposed to satisfy the customers’ complaints with the tape alone?

A. Yes.

\* \* \* \* \*

Q. Now, going back to the rejects again, and I want again to have you confine your attention to complaints that you received about your products in which cans were joined end to end with tape, what was a complaint, a type of complaint?

A. Well, they would complain that the cans were apart on the shelves.

Q. Is that the only complaint you received?

A. With reference to your preceding question?

Q. Yes.           A. Yes.

Q. The only complaint you ever had in that specific field was that the cans came apart?

A. That is right.

Q. Did anybody specify any reason that they were coming apart?           A. Not that I know of.

Mr. Schroeder: Excuse me. Did you intend to limit your answer before to on the shelves? I don’t

(Deposition of Evert N. Forsberg.)

think you intended to limit your question to that, did you John?

Mr. Hofeldt: No.

Mr. Schroeder: You mean coming apart any place. I think his answer was intended that way, but the record would indicate——

Mr. Hofeldt: All right, let's make that clear, then.

Q. Were there any complaints received other than the cans coming apart, wherever they came apart, in cases, when they were on the shelf, when they were handled?

A. The only complaints I recall is when they have been handled.

\* \* \* \* \*

The examination, reading and signing of the deposition were waived by the witness and by counsel for the respective parties.

Mr. Hofeldt: It is stipulated that Evert Forsberg is an officer of the plaintiff Chun King Sales, Inc., and is vice president in charge of traffic for Chun King Sales.

#### HARVEY C. RAMSEY

having been duly sworn by the notary, testified as follows:

#### Cross Examination

Q. (By Mr. Hofeldt): Would you state your name for the record.

A. Harvey C. Ramsey.

Q. Where do you live, Mr. Ramsey?

(Deposition of Harvey C. Ramsey.)

A. Duluth, Minnesota.

Q. And street? A. 100 Elizabeth Street.

Q. How old are you? A. Forty-eight.

Q. Forty-eight. What is your job?

A. Vice president in charge of sales.

Q. You are an officer of the company?

A. That is right.

Q. Of Chun King Sales, Inc?

A. That is right.

Q. Do you hold any other post with that company? A. No, I do not.

Q. Are you a director of that company?

A. No, I am not.

Q. How long have you been with Chun King Sales? A. In this capacity?

Q. In your present capacity, yes.

A. I was appointed in June of this year.

Q. You were appointed in June of this year; and prior to that time?

A. I was general sales manager in 1954 and 1955.

Q. And prior to that time?

A. 1953, November 1953 to June 1954, in charge of sales Chun King Frozen Foods Corporation.

Q. Would you go just a little easier on that one?

A. In charge of sales, Chun King Frozen Foods Corporation.

Q. Is that related to Chun King Sales?

A. In a way, yes. It is a subsidiary company. Am I correct there?

Mr. Schroeder: I don't know, frankly.

(Deposition of Harvey C. Ramsey.)

Mr. Hofeldt: Do you want to just make a statement, Mr. Paulucci, of what the——

Mr. Paulucci: They are separate corporations.

Q. (By Mr. Hofeldt): And prior to 1953, November 1953?

A. I was Southern Division representative for Chun King Sales, Inc., from 1951 to 1953.

Q. And prior to that time?

A. I was not associated with Chun King.

Q. What was your association prior to 1951?

A. I was associated with a food broker.

Q. And what was the name of that broker?

A. J. A. Elliott Company.

Q. At that time was Elliott a broker for Chun King Sales? A. Yes.

Q. From 1951 to 1953 when you were Southern District sales representative, where were you located? A. Kansas City, Missouri.

Q. Throughout that period? A. Yes.

Q. And, roughly, what did you territory cover?

A. About seven states.

Q. Around Missouri? A. Yes.

Q. What were your duties as sales representative?

A. As sales representative my duties were to work with brokers in my division, calling on the wholesale and retail trade.

Q. Did you have anyone working under you?

A. No, sir.

Q. You were the entire force?

A. In that particular area, yes.



(Deposition of Harvey C. Ramsey.)

Q. In 1951 were you or your company selling cans of food wherein the cans were taped end to end? A. Yes, sir.

Q. Did you ever have occasion to observe the operation of taping them end to end?

A. No, sir.

Q. Were you ever in the plant of Chun King Sales during that time?

A. During what time?

Q. 1951 and 1953? A. Yes, sir.

Q. Did you observe any operations at that time?

A. Not specifically.

Q. Did you, generally, see what was going on there as far as taping cans together?

A. Generally.

Q. And did you notice the equipment that was being used? A. I did not.

Q. Did you notice if there was a V trough there of any kind? A. No, I did not.

Q. Did you notice if the work was being done at a table?

A. No, I do not recall exactly where or how it was done.

Q. During the time you were Southern District sales representative for Chun King Sales did you receive any rejects from customers, or complaints from customers, with relation to the cans of food taped end to end? A. Yes, quite a few.

Q. And, generally, what were those complaints?

A. The cans would come apart where the taping was.

(Deposition of Harvey C. Ramsey.)

Q. Was there any other complaint?

A. Not in that respect.

Q. Anything respecting appearance?

A. Well, where the cans broke apart, naturally it did a little job of disfiguring the labels.

Q. Can you describe to me the appearance of the tape on the cans at or about 1951?

A. No, not exactly.

Q. Did the edges of the tape have any special appearance to you?      A. No; I don't recall.

Q. Looked just like someone had taped cans end to end, is that right?      A. That is right.

Q. Did you ever have any complaints upon the appearance of the tape?      A. Not that I recall.

Q. When you received these complaints—I am talking now of 1951—when you received those complaints what did you do?

A. We had tape that we had asked the company for and either myself or the clerks in the stores tried to tape them together the best we could.

Q. Did you furnish tape to the clerks in the store for that purpose?

A. If they would use it.

Q. Did you ever know of anybody who would purchase their own tape?      A. No.

Q. Generally, what kind of tape were you furnished?      A. I don't remember.

Q. Well, was it a cloth tape, a cellophane type, paper?

A. I don't recall exactly what tape it was they sent down to us.

(Deposition of Harvey C. Ramsey.)

Q. Was it a shiny tape? A. I don't recall.

Q. Was it colored? A. I am not sure.

Q. It might have been colored?

A. I do not recall.

Q. The products that you were selling at that time with the cans taped together, did they have a colored tape on them? A. I don't recall.

Q. Did you try to match whatever color it might have been with the tape you were repairing with? A. Not that I remember.

Q. Did you have any specific instructions from the home office of Chun King Sales on how to tape them together? A. No.

Q. Did you put the tape around the bead of the can in retaping?

A. What do you mean by the "bead"?

Q. Well, as I understand the "bead," the bead is the portion of the bottom of the can which contacts the side walls of the can and sticks out a little ways beyond the side wall of the can; is that what you understand it to be? A. Yes.

Q. Did you apply that tape when you were repairing these cans around the bead of the can?

A. Around the bead of the can?

Q. Around the bead of the cans where the top bead of one can and the bottom of the other can were? A. We attempted to.

Q. How did you do that? A. By hand.

Q. And could you describe your hand operation for me? A. Lousy.

Q. Well, now, that is——

(Deposition of Harvey C. Ramsey.)

Mr. Schroeder: He doesn't mean the result; he means how did you go about it? He thought you meant the results.

Q. (By Mr. Hofeldt): No; I mean the mechanics that you employed.

A. Well, I don't recall exactly how we did go about it.

Q. Well, did you cut a piece of tape off the roll before you applied it? A. Not necessarily.

Q. Did you ever put the free end of the tape on the can and then unwind from the roll as you were winding around the remaining portion of the can head?

A. I don't recall exactly what procedure was used.

\* \* \* \* \*

Q. (By Mr. Hofeldt): Did you ever ask any instructions from the home office on how to tape cans? A. I don't recall.

Q. Did you ever receive any instructions from the home office? A. You asked that before.

Q. Well, did you answer it?

Mr. Schroeder: You can answer.

A. No.

\* \* \* \* \*

Q. Now, directing your attention to the time when you were Southern District sales representative, do you recall any specific customers complaining then about these cans of food taped end to end with tape? A. No.

Q. You recall no specific customer?

(Deposition of Harvey C. Ramsey.)

A. No, sir.

\* \* \* \* \*

Q. Have you ever received any complaints from your customers, of the cans that are taped end to end coming apart since 1954? A. Very few.

Q. But you have received them?

A. Very few.

\* \* \* \* \*

HORACE JAMES LEE

having been duly sworn by the notary, testified as follows:

Cross Examination

Q. (By Mr. Hofeldt): Would you state your full name, please? A. Horace James Lee.

Q. Where do you live, Mr. Lee?

A. 2111 East Third Street, Duluth, Minnesota.

Q. How old are you, Mr. Lee?

A. Fifty-eight.

Q. What is your job at present?

A. Vice-president in charge of public relations.

Q. For what company?

A. Chun King Sales, Inc.

Q. Generally, what are your duties?

A. Anything involving public relations. It is a very broad subject.

Q. Advertising?

A. No; more the publicity than the advertising.

Q. I am afraid I don't get the distinction there; could you explain that a little bit?

A. Well, advertising is paid space, and others

(Deposition of Horace James Lee.)

out there [61] have to do with the arranging and the decisions in connection with advertising, whereas public relations work involves working with food editors of magazines, newspapers, TV and Radio stations.

Q. Who is in charge of your advertising?

A. Mr. Paulucci.

Q. How long have you been vice-president in charge of public relations?

A. Since June 1955.

Q. With whom were you connected prior to that time?      A. With Chun King Sales, Inc.

Q. In what position?

A. Vice-president in charge of sales.

Q. When did your duties as vice-president in charge of sales begin?

A. Approximately a year prior.

Q. And prior to that, what was your position?

A. General sales manager.

Q. How long did you hold that post?

A. I would say for about four years prior to that time.

Q. Since about 1949 or '50?

A. Well, I started out in August 1948, as a sales representative, and I think for a matter of two years or more my duties were those of a sales representative, a one-man sales force. [62]

Q. Did you work out of the Home Office?

A. Yes, I did.

Q. Did you maintain an office there as sales representative?

(Deposition of Horace James Lee.)

A. During that time I was traveling, as well as subsequently, about, I would say, practically all the time except to come in for conferences with Mr. Paulucci relating to sales.

Q. You said that you were the sole salesman at that time?           A. That is right.

Q. That is from August 1948 to about August 1950, is that right?

A. As near as I can remember. [63]

\* \* \* \* \*

Q. When is the first time you saw any products in cans joined end to end, taped together?

A. I can't say exactly, but my impression is that it was either late in 1948 or early in 1949. [64]

Q. Did you sell a lot of those packages or containers so joined in those years?

A. Not at the outset. It started slowly and built itself up.

Q. Was it larger in 1949 than it had been in 1948?

A. Are you speaking of the sales of these items that are banded together?

Q. Correct.

A. The sales in 1949 were definitely larger than they were in '48, if there were sales in '48; I am not too sure that we had that banded deal.

Q. Well, they did definitely increase from the time you first started them?

A. Yes, they did.

Q. Did they have a steady growth in sales?

A. Yes. [65] \* \* \* \* \*

(Deposition of Horace James Lee.)

Q. Now, in 1950 were the products in cans joined end to end by tape a large amount of your sales?

A. I would say that they were a considerable part of our sales, yes.

Q. Could you tell me about what the proportion was?

A. No, because I would be guessing if I attempted to do so.

Q. But they were large in volume?

A. They were a sizable part of our sales. [75]

\* \* \* \* \*

Q. (By Mr. Hofeldt): Let's go back to 1948 to 1950; did you sell more than one case of products with the cans joined end to end by tape?

A. Definitely.

Q. Did you sell more than a hundred?

A. Sure.

Q. Did you sell more than a thousand?

A. I can imagine that we did.

Q. Did you sell more than ten thousand?

A. I wouldn't know as to that.

Q. But you are sure you sold at least a thousand cases of your products in cans, with the cans joined end-to-end relationship by the use of a sticky tape in the years 1948 through 1950?

A. I am reasonably sure of that.

Q. But you don't know how many more?

A. No, I do not.

Q. Was it more? [76]

A. I have a feeling that it was.



(Deposition of Horace James Lee.)

Q. Does your feeling run to the extent of considerably more?

Mr. Schroeder: Do you know, Jim, or are you just guessing?

A. Yes, I would say my impression is that it was considerably more.

Mr. Schroeder: Do you have any figures on it at hand?

A. No, I don't.

Q. (By Mr. Hofeldt): All right. Now, during the period of 1950 to 1951 did you have a volume of sales that had increased over the 1948 to the 1950 period?

A. Are you putting two years against one, or——

Q. Well, I am putting 1948 to 1950 in one; that is what you have been answering.

A. Yes.

Q. Now, I am putting the year 1950 to January 1, 1951, approximately; I am wanting to know whether your sales of these products in cans, with the cans joined end to end by means of a tape, did they have an increase over the preceding average year?

A. I would say that we have shown a consistent increase year after year. [77]

\* \* \* \* \*

Q. Had any customers or brokers complained directly to you that they had purchased a competitive product thinking it was that of Chun King Sales?

(Deposition of Horace James Lee.)

A. Are you speaking about—brokers do not buy for their own account; are you speaking about wholesalers?

Q. Yes. A. No. [89]

Q. Did they report to you that any of their customers had purchased a competitive product or products thinking they were those of Chun King Sales?

A. I do not recall any specific instances. [90]

\* \* \* \* \*

[Endorsed]: Filed Oct. 27, 1955.

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Mr. Harris: Next, if the court please, I offer into evidence the deposition of the plaintiff, Jeno F. Paulucci, taken on May 23, 1955, as a defendant's exhibit next in order.

The Clerk: That will be AD. \* \* \* \* \*

The Clerk: Marked as Defendant's Exhibit AD, and [368] admitted in evidence, the deposition of the plaintiff, Jeno F. Paulucci.

(The deposition referred to was marked Defendant's Exhibit AD, and received in evidence.) [369]

#### DEFENDANT'S EXHIBIT AD

[Title of District Court and Cause.]

#### DEPOSITION OF JENO F. PAULUCCI

taken on behalf of defendant at 321 Subway Terminal Building, Los Angeles, California, commencing at 10:00 o'clock a.m., Monday, May 23, 1955, before

W. E. McClure, a Notary Public within and for the County of Los Angeles and State of California, pursuant to the annexed Notice of Deposition and Production of Documents.

Appearances of Counsel: For Plaintiffs: Williamson, Schroeder, Adams & Meyers, Esqs. and Lyon & Lyon, Esqs., by Lewis E. Lyon, Esq. For Defendant: Harris, Kiech, Foster & Harris, Esqs., by Ford Harris, Jr., Esq. and Walton E. Tinsley, Esq. [1]

JENO F. PAULUCCI

having been first duly sworn, deposed and testified as follows:

Direct Examination

Q. (By Mr. Harris): You are Jenó F. Paulucci?  
A. Yes, sir.

Q. You are one of the plaintiffs in this action, are you not?  
A. Yes, sir.

Q. What is your residence, Mr. Paulucci?

A. 6 Minneapolis Avenue, Duluth, Minnesota.

Q. You are president, are you not, of the other plaintiff in the case, Chun King Sales, Inc.?

A. Yes, sir.

Q. Mr. Paulucci, you personally executed the complaint in this case on behalf of yourself as an individual and on behalf of the plaintiff, Chun King Sales, Inc., as its president?

Mr. Lyon: I think the paper speaks for itself. It is under oath, is it not?

Q. (By Mr. Harris): Is that correct, Mr. Paulucci?

Mr. Lyon: Answer.

(Deposition of Jeno F. Paulucci.)

The Witness: Yes, sir.

Q. (By Mr. Harris): You are the applicant, Jeno F. [2] Paulucci, of the patent in suit, No. 2,679,281, are you not? A. Yes, sir.

Q. You are familiar with the contents of that patent, are you not? A. Yes, sir.

Q. When was the plaintiff Chun King Sales, Inc., incorporated? A. May of 1947.

Q. You are a stockholder of that corporation, are you not? A. Yes, sir.

Q. Approximately what percentage of the stock do you own in that corporation?

A. 100 per cent.

Q. In general what is the business of the plaintiff corporation?

A. Packers and distributors of Oriental-American foods. [3]

\* \* \* \* \*

Q. When did you either make or have made for you first any machine as illustrated in your patent in suit, or similar thereto?

Mr. Lyon: The question is so indefinite as not to be susceptible of an answer as to when he first made a machine. I will permit him to answer as to when he first made a machine as to placing together the cans, which is a question which he can answer.

Q. (By Mr. Harris): If such machine was used in binding cans of the type illustrated in Exhibits 1 and 2 here in the room, when was that machine first made?

A. May I have the statement of counsel?

(Deposition of Jeno F. Paulucci.)

(Record read as requested.)

The Witness: It was after we moved into the new plant.

Q. (By Mr. Harris): When was that?

A. In August of 1951. [30]

Q. As of June 7, 1949, you were using resilient sticky tape in your business, were you not?

A. Yes, sir.

Q. And you were using such tape to fasten together two or more containers? A. Yes, sir.

Q. And you were selling those products, were you not? A. Yes, sir.

Q. From whom were you buying that tape that you were using at that time?

A. Minnesota Mining. There might have been others, but Minnesota Mining to a greater degree, if not all.

Q. This company, Mystik Adhesive Products, on the letterhead of this last letter Mr. Lyon has produced, does that have anything to do with Minnesota Mining & Manufacturing Company?

A. I did not look at the letterhead.

Mr. Lyon: Neither did I.

The Witness: No, this is another tape supplier. This is another tape supplier.

Q. (By Mr. Harris): Did you buy tape from them about that date? A. I don't know. [43]

Q. At that time, which is about the date of this letter, June 7, 1949, how were you using sticky tape of that type to bind together two or more containers or cans?

(Deposition of Jeno F. Paulucci.)

A. Would you explain how—what you mean by how we were using it?

Q. You bought the tape and you say you were using it to hold together two or more cans, and I am asking you how you used it to do that. Just tell us how you used the tape.

A. By taping two cans together, by putting the tape around the—fastened to the two beads.

Q. And in doing that you took the two separate cans and put them end-to-end in alignment, did you?      A. Yes.

Q. And then you stretched the tape over the bead of the cans and fastened the tape to the cans, did you?      A. No, sir.

Q. How did you do it?

A. I explained it.

Q. Please give us a little fuller explanation as to just what steps you went through to do that.

A. We rolled—we put the tapes on the two cans and rolled the two cans into the tape, and cut the tape.

Q. The tape, of course, was in a dispenser of some kind, was it?      A. Yes. [44]

Q. A roll of tape in a dispenser; is that right?

A. Yes. [45]

\* \* \* \* \*

Q. But, in any event, when you so used the tape the tape was in a dispenser, was it not?

A. Yes.

Q. And then what were the steps, Mr. Paulucci? The operator pulled the tape off the roll of tape

(Deposition of Jeno F. Paulucci.)

and fixed the end of it to the cans aligned and held together? Is that the first step in doing it?

A. More or less, yes.

Q. How were the cans held, were they just loose on a table or were they in a V-shaped trough, or how were they held?

A. I don't remember exactly, but they were held in such a way that we could hold them together.

Q. You don't remember whether you were using a V-shaped trough at that time?

A. No, sir.

Q. Then after the end of the tape was affixed to the can then, as I understand it, you rolled the cans, holding the tape tight until the tape was stretched all the way around the can and then it was cut off; is that right?

A. No, sir. [46]

\* \* \* \* \*

Q. (By Mr. Harris): When you say you rolled the cans into the tape, you meant what? How was that done?

A. By your turning the tapes—the cans so that the tape went around the diameter of the can. [47]

Q. And the tape was held tight while that was being done, was it?

A. No, sir.

Q. How was it held?

A. The tape was not held after it was put, as I mentioned in my answer, on the can. You described it before. You said you pulled the tape from the roll and then you put the edge of the tape on the cans, and then I elaborated further that we then rolled the cans into the tape, which was loose.

(Deposition of Jeno F. Paulucci.)

Q. The tape was loose at that time?

A. Yes, sir.

Q. You did not hold the tape tight?

A. No, sir.

Q. Was that a resilient tape that you were using at that time?

A. The same kind of tape that we are using now.

Q. And cans so put together were sold by you about the same time, were they not?

A. Yes, sir.

Q. Simply ordinary commercial sales?

A. Yes, sir. [48]

\* \* \* \* \*

Q. (By Mr. Harris): In this method of putting cans together that you have described, how did you hold the cans? A. By the two hands.

Q. And on what were the cans resting?

A. A bench, a table.

Q. Those operations were performed by your employees in your plant, were they? A. Yes.

\* \* \* \* \*

Q. When cans were put together with sticky tape at that time how was the loose end of the tape held? A. Which loose end?

Mr. Lyon: That is what I want to know.

Q. (By Mr. Harris): You said one end was affixed to the cans. There is another end of the tape. How was that held?

A. It was held by the dispenser until it was ready to be cut.



(Deposition of Jen0 F. Paulucci.)

Q. At what stage was it cut? [50]

A. When the cans were approximately rolled completely into the tape.

Q. In other words, after you had a layer of tape all around the can then you cut the tape, the operator cut the tape, did he? A. That is right.

Q. Then what did he do, just press the loose end down onto the can?

A. Just touch it down, yes.

Q. When was it you first used a machine to accomplish that purpose, that is, fastening two cans together with a sticky tape?

A. What kind of a machine are you referring to?

Q. Any kind of a machine.

A. Well, in a previous question you asked me about a dispenser. Would you refer to that as a machine?

Q. Other than the dispenser did you have any other jigs or fixtures of any kind or tooling of any kind you used to perform this operation?

A. By "used" do you mean continually?

Q. No, I am not referring to continually, Mr. Paulucci. I am referring to this operation in June of 1949, when you were fastening two or more cans together by your use of sticky tape. I am inquiring as to what type of machine you used at that time.

A. We have answered that before. [51]

Q. Simply the dispenser? A. Yes, sir.

Q. And something to hold the cans so that you could rotate them on the bench; is that right?

(Deposition of Jeno F. Paulucci.)

A. More or less, yes.

Q. What did you use to hold them at that time?

A. As I mentioned before, I don't exactly remember, Mr. Harris.

Q. This was your idea, was it not, putting cans together in this way? A. Yes, sir.

Q. And you can't remember how it was being done at that time?

A. That is six years ago, Mr. Harris.

Q. And you now don't remember what you were doing then at that time?

A. That is correct.

Q. How long prior to June of 1949 had you been performing your same operation in packaging cans of this type?

A. Oh, it may have been a month or two. [52]

\* \* \* \* \*

Q. We are talking about the machine that you had in your plant early in September, 1951, which you were using to tape two or more cans together with. Now, what was in that machine? What did it consist of?

A. A tape dispenser and a trough.

Q. A v-shaped trough? A. Yes.

Q. Spaced from the dispenser?

A. Yes, sir.

Q. How far from the dispenser was the trough spaced? A. I can't tell you exactly.

Q. Well, roughly.

A. Oh, from 8 to 12 inches.

Q. And the trough and the dispenser were

(Deposition of Jen0 F. Paulucci.)

mounted on a [57] baseboard of some kind, were they?      A. Mounted on a table.

Q. On a what?      A. On a table or a bench.

Q. They were rigidly fastened on a table or a bench, were they?      A. Yes, sir.

Q. In spaced relation, as you have described?

A. Approximately.

Q. Was there any cutter of any kind between the dispenser and the V-shaped trough?

A. Not in between the two, no, sir.

Q. Now, as to that particular machine, when was that machine first built?

A. After we moved into the new plant, which was in August of 1951.

Q. Prior to August of 1951 had you ever built a similar machine or had it built for you?

A. Somewhat similar, but not the same.

Q. How many of such similar but not the same machines had you had built prior to August, 1951?

A. By "machine" I take it you now are referring to the dispenser and the trough, Mr. Harris?

Q. That is what you characterized as this machine. Is it a fact that you did have similar machines prior to August of 1951? [58]

A. Experimental models.

Q. How many?

A. Maybe 15 or 20, maybe even more. I don't know.

Q. How did they differ, Mr. Paulucci, from this particular machine that you were using in August of 1951 at the new plant?

(Deposition of Jen0 F. Paulucci.)

A. It might have been the spacing between the trough and the dispenser. It might have been the elevation of one in relation to the other, and so forth.

Q. You say "it might have been." Do you remember?      A. Not exactly, no, sir.

Q. Those were the only differences?

A. I will not restrict it to that, no, sir.

Q. Did any of such machines that you had prior to August of 1951 have a cutter mounted on the machine?

A. All the dispensers, Mr. Harris, had a cutter attached to them.

Q. Even this one you were using in August of 1951 at the new plant?      A. Yes, sir.

Q. Where was that cutter?

A. At the end of the dispenser.

Q. It was simply an integral part of the dispenser, was it not?      A. That is correct.

Q. And these dispensers were obtained by you on the [59] open market?

A. That is correct.

Q. And as so obtained by you they had the cutter mounted on them?      A. Yes.

Q. When did you first have such a machine, Mr. Paulucci?

A. You will have to explain what you are referring to.

Q. I am referring to any of these machines that you said you had prior to August, 1951.

A. We had the dispenser part back in 1949.

(Deposition of Jeno F. Paulucci.)

Q. You had the trough back in 1949, didn't you?

A. We did not, sir.

Q. In 1949 you were acquainted, were you not, with a man named Eugene Hammond?

A. Yes, sir.

Q. Who was an employee of Minnesota Mining & Manufacturing Company in Duluth, Minnesota?

A. Yes, sir.

Q. He called on you at your plant there a number of times during the year 1949, did he not?

A. Yes, sir.

Q. And during such calls he saw, did he not, your operations in which you were joining together two or more cans by the use of a sticky resilient tape? [60]

A. Yes, sir.

Q. He, in fact, supplied some of these dispensers to you, did he not?

A. That is correct.

Q. Don't you remember, Mr. Paulucci, that prior to October 1, 1949, you had in operation a machine for joining two cans together by a sticky tape, in which you had an angle iron set up to form a v-shaped trough, the angle iron being about 3 to 4 inches on each side?

A. I do not remember that, no, sir.

Q. You don't remember showing that machine to Mr. Hammond?

A. No, sir. I don't remember that, as you have described it.

Q. As early as April, 1951, you were, were you not, using one or the other of these early types of machines to join together two or more cans with

(Deposition of Jeno F. Paulucci.)

sticky tape, which cans were then commercially sold by you?

A. Two cans fastened together? Yes. [61]

\* \* \* \* \*

Q. Did you at any time during the year 1950 have any discussions with Mr. G. C. Cronin with regard to the matter of joining together two or more cans by the use of sticky tape in any way?

A. Yes. In our orders of tape we, of course, had to talk to him whenever he came in.

Q. When he came in during that period to see you he saw, did he not, the machinery and equipment that you [69] were using commercially to join together cans in that fashion?

A. I do not want to be facetious, but again I say exclusive of the patent?

Q. Using any machinery and equipment that you had in any way that you were using to commercially join together two or more cans with sticky tape, Mr. Cronin saw that equipment in your plant during that time; is that not true?

A. Yes, we allowed him a free audience in our plant, without any restrictions. [70]

\* \* \* \* \*

Q. (By Mr. Harris): Paragraph X of the Complaint reads as follows, and I quote:

“Plaintiff, Chun King Sales, Inc., in cooperation with said plaintiff, Jeno Paulucci, assembled, shipped, displayed, introduced and sold to the public for the first time, canned goods in combinations of two or more cans rigidly and positively

(Deposition of Jen0 F. Paulucci.)

connected together in an end-to-end relationship and as a single unit."

When was it that Chun King Sales first sold assembled two or more cans?

A. Just taped together, or under the method of the patent?

Mr. Lyon: Listen to the question. Read the question. [75]

(Question read by reporter.)

The Witness: Two cans taped together——

Mr. Lyon: Rigidly and positively.

The Witness: Rigidly and positively as per our patent was when we moved into the new plant in August, 1951.

Q. (By Mr. Harris): Is that the first time you ever rigidly and positively connected together two or more cans in an end-to-end relationship as a single unit?      A. Yes, sir.

Q. I do not want you to be misled, Mr. Paulucci. I am not limiting this question, nor is your Complaint limited to the use of the patented process in this provision, and I don't want you to be misled in your answer.

Mr. Lyon: Is there a question in front of the witness?

Q. (By Mr. Harris): Now, with that suggestion, do you still say that you did not so connect cans together prior to August, 1951?

A. We connected cans together with a piece of tape, as outlined to you before, in April or May of 1949.

(Deposition of Jeno F. Paulucci.)

Q. Is that what you are referring to here in this Paragraph X of your Complaint, or are you referring to your earliest use of the patent in suit?

A. Earliest use of the patent in suit.

Q. And that was in August, 1951; is that correct?

A. After we moved into the new plant, yes, sir, which was in August, 1951. [76]

Q. What machine did you use to assemble those first cans that you referred to?

A. You mean the ones in April or May, 1949?

Q. No, I mean the ones in August of 1951. What kind of a machine did you use to assemble those cans?

A. The machine we have previously described, the dispenser with the trough.

Q. And a cutter connected to the dispenser?

A. Yes, sir, that is standard equipment. [77]

\* \* \* \* \*

Q. However, in those years 1949, 1950 and 1951 you did use the same kind of tape, sticky tape, to join together two or more cans that you later used in practicing the invention of the patent in suit, did you not?

A. Sticky tape, yes.

Q. And for the purpose of joining together two or more cans?

A. Correct.

Q. And that was done commercially by you, was it not? In other words, you sold the products of that use?

A. That is correct. [83]

\* \* \* \* \*

Q. When did you first buy this sticky tape,



(Deposition of Jen0 F. Paulucci.)

Cellotape, as you have referred to it, for use in any operations in which you joined together two or more cans, as you have described?

A. For just fastening two cans, it was April or May of 1949.

Q. Did you purchase such tape from anyone other than Minnesota Mining & Manufacturing Company?      A. Yes.

Q. From whom?

A. From the El Queeno Cigar Company, and Paper Specialties of Duluth, and I think it was Texel, T-e-x-e-l Corporation.

Mr. Lyon: Those are in 1949? [84]

The Witness: I don't know. These were for 1949, 1950 and 1951.

Mr. Lyon: He only asked as to 1949.

The Witness: Cross that "Texel," because I don't think they were at that time.

Q. (By Mr. Harris): In those years 1949, 1950 and 1951?      A. Yes. [85]

\* \* \* \* \*

Q. (By Mr. Harris): Referring back to Paragraph (h) of the Notice, do you have any records showing your purchases of tape from Minnesota Mining & Manufacturing Company?

Mr. Lyon: If they are material, there are quite a few of them. There are tape purchases here which we have, yes, plenty of them, if you want to look at them. We are not going to produce them and have them marked.

Mr. Harris: I do not care to have them marked,

(Deposition of Jeno F. Paulucci.)

but I [86] would like to look at them, Mr. Lyon, if I may.

Mr. Lyon: Well, here are some for the year 1951, which you may look at then, if you want to.

Mr. Harris: Yes, thank you.

Mr. Lyon: Do not take them out of the folder.

Mr. Harris: We might as well take a recess while I am looking at these for a few minutes.

Mr. Lyon: Here are 1949, 1950 and 1951 for the tape purchases. We do not know whether they are all of the purchases.

(A short recess was here taken.)

Q. (By Mr. Harris): Mr. Paulucci, in some of these invoices for tape sales to you by the El Queeno Cigar Company, Inc., I notice that the item is "Sell-O-Tape," S-e-l-l-O-T-a-p-e. Is that what you referred to as the "Cellotape"? I show you that one.

A. Yes, that is just the way they spelled it. Normally it is C-e-l-l-o, I imagine.

Q. I just wanted to be sure that we were talking about the same thing. A. That is right.

Q. I have been looking through this file of 1949 invoices to you, and there are a very large number indicating tape sales to you. Are these all of your purchases of tape during the year 1949?

A. To the best of our knowledge, yes, sir. [87]

Q. On these invoices to you from Minnesota Mining & Manufacturing Company or the Duluth Paper & Specialties Company, I notice a reference

(Deposition of Jeno F. Paulucci.)

number "600." Apparently that is the identifying number of that tape. Was that tape all "600" tape, do you remember? A. I do not.

Q. In any event, it was all sticky resilient tape, was it not? A. Yes, it was purchased as such.

Q. In other words, all of these purchases of tape in 1949 were purchases of sticky resilient tape?

A. That is correct.

Q. And they were all made by you for the purpose of using such tape in joining together two or more cans; that is correct, is it not?

A. Not in accordance with the patent, but joining two cans together, yes.

Q. I hand you an invoice showing an order number, on April 5, 1949, from Minnesota Mining & Manufacturing Company, and point out to you the item there which reads, " $1\frac{1}{2}$  x 2592 I-n Bxd." What does that mean, " $1\frac{1}{2}$  x 2592 I-n Bxd"?

A. Gosh, I could not tell you.

Q. That means that the tape was half-inch tape, does it not, and was 2,592 inches long?

A. That could be. I am not sure of what it could be, [88] but it could be.

Mr. Lyon: That is 2592 in. boxed?

Q. (By Mr. Harris): I think it is. Here is another similar invoice, and that shows definitely inches on there, and I was wondering about the length of those tapes. Here is another one that shows inch marks. Does that mean to you that was 2592 inches long?

(Deposition of Jen0 F. Paulucci.)

A. To me it doesn't mean anything. I mean it could be, I don't know.

Q. Well——

Mr. Lyon: If the witness does not know you cannot make him know.

Mr. Harris: Well, for the record, these invoices show the following purchases by Chun King Sales, Inc., from Minnesota Mining & Manufacturing Company: 72 rolls on order of March 30, 1949; 144 rolls on order of April 5, 1949; 144 rolls on order of April 9, 1949; 72 rolls on an order dated April 19, 1949.

Mr. Lyon: It says "zero" rolls in quantity.

Mr. Harris: The witness can correct me if I am wrong.

Mr. Lyon: Under the title "Quantity"——

The Witness: I can't tell you. You are reading it, Mr. Harris. I can't infer anything. You are reading, you know, what you see there.

Mr. Harris: These are from your records, and I wanted to have it on the record. They show 144 rolls on an order [89] dated April 29, 1949; 72 rolls on an order dated April 19, 1949; 144 rolls on an order dated June 28, 1949; 144 rolls on an order dated July 18, 1949; 36 rolls on an order dated August 18, 1949; 144 rolls on an order dated August 26, 1949; 108 rolls on an order dated August 18, 1949; 144 rolls on an order dated August 12, 1949, and then an invoice from Duluth Paper & Specialties Company showing a delivery to you of 3 rolls on an order dated August 18, 1949; another one for

(Deposition of Jeno F. Paulucci.)

144 rolls on an order dated August 18, 1949; and another one for 72 rolls on an invoice dated September 6, 1949. [90]

\* \* \* \* \*

Mr. Harris: And the next one is an invoice from Minnesota Mining & Manufacturing Company to Chun King Sales, Inc., of 144 rolls, No. 600 light green Scotch cellophane tape, "CRA," marked "Paid April 7, 1949."

The next one is an invoice of the same type for 144 rolls of the same kind of tape stamped "Paid April 22, 1949."

The next one is a similar invoice for 72 rolls of similar tape stamped "Paid April 21, 1949."

Mr. Lyon: Of course, the quantity that you are reading in that last invoice is under the word "Unit," and under "Quantity" there is nothing. There is zero quantity. There is a "Unit" there and a No. 72 unit that was sold there, which to me does not mean it was 72 rolls.

Q. (By Mr. Harris): Mr. Paulucci, looking at this invoice in question, that covered the sale of 72 rolls of [92] tape, did it not?

A. It is an ambiguous one. It shows "Quantity" nothing; "Unit, 72 rolls, \$76.57" on it.

Q. You are not going to pay \$76.57 if they did not ship you anything? You would not have paid it?

A. Except this could have been attached to another invoice.

Q. As far as you know, however, this was for 72 rolls at that price; is that right?

(Deposition of Jeno F. Paulucci.)

A. I neither know "yes" nor do I know "no" on it.

Q. On this invoice the price is \$1.54, is it not?

A. That is right.

Q. The same price is on the preceding invoice per roll? A. Yes.

Q. And if you figure 72 rolls at \$1.54 it comes out to \$110.88, does it not?

A. No bill of lading attached to it, like there is on one of the other invoices. There is no packing list attached to it like there is on one of the other invoices, therefore I cannot answer your question "yes" nor "no."

Q. These are your records. I don't know anything about them. I am just trying to inquire about them and find out. A. Yes, sir.

Q. The next invoice of similar type is 144 rolls of [93] similar tape, stamped "Paid May 4, 1949." The next invoice, similar type, is for 72 rolls of similar tape, stamped "Paid May 23, 1949." The next invoice of a similar type is for 144 rolls of similar tape, stamped "Paid June 29, 1949." The next invoice of similar type is for 144 rolls of similar tape, stamped "Paid July 22, 1949."

Then there is a group of invoices and other papers clipped together. Will you explain to me how many rolls of tape you purchased under those invoices?

A. There is one invoice with the packing slip for 36 rolls. There is another invoice with a packing slip for 144 rolls, it seems. There is another

(Deposition of Jeno F. Paulucci.)

invoice with a packing slip for 108 rolls, and then there is another invoice with another packing slip for 144 rolls, so that I don't know if that is a duplication or not.

Q. Then there is a statement to you from the Duluth Paper & Specialties Company dated September 16, 1949, for 144 rolls, marked "Paid October 12, 1949." Then there is a further statement from Duluth Paper & Specialties Company to you for 144 rolls of similar tape marked "Paid November 21, 1949."

I hand you a group of four loose invoices from this file, and ask you if you can tell from those how many, if any, rolls of tape were purchased by you, covered by those invoices?

Mr. Lyon: You mean: And not covered by the ones you [94] just read?

Mr. Harris: Yes.

Mr. Lyon: These are the ones he read.

The Witness: I can't tell you whether there is duplication. You have already listed part of it here. This one here is marked "Nothing," and we have three here that are marked "Paid," but the list is for 3 rolls, and the other 2 is 144 each, but whether or not they are covered by duplication or not, I can't tell. I presume that they are, because that is more or less a bill of lading from them.

Mr. Harris: Then I find here a customer's invoice from El Queeno Cigar Company, Inc., to you, dated November 7, 1949, showing the purchase by you of 108 rolls of tape; another similar invoice

(Deposition of Jeno F. Paulucci.)

showing the purchase by you of 36 rolls of tape, marked "Paid December 17, 1949"; another similar invoice showing the purchase of two rolls of tape marked "Paid January 31, 1950," and another similar invoice showing the purchase by you of 96 rolls of tape, marked "Paid March 2, 1950."

Mr. Lyon: I think that is an error. It is 104. The statement says "8 rolls delivered personally white tape with blue lines" on that invoice.

Mr. Harris: Well, my statement should be corrected from 96 rolls to 104 rolls as to that last invoice.

Mr. Lyon: With the statement which I made.

Q. (By Mr. Harris): I notice on this last invoice, Mr. Paulucci, there is a statement in pencil, "One-cent sale, one-cent sale." What does that refer to?

A. It looks like it was an experimental shipment of printed tape that said "One-cent sale" on it, and "This can meatless," of eight rolls.

Q. That was for use by you in joining together the two cans, in which you were going to sell two for the price of one, plus one cent? A. No.

Q. You during 1949 sold multiple can packs, two or more cans held together by sticky tape, for resale in one-cent sales, did you not?

A. We sold two cans taped together where the can of noodles was sold for one cent.

Q. Where the what?

A. Where the can of noodles, chow mein noodles sold for one cent.



(Deposition of Jeno F. Paulucci.)

Q. All of these tape purchases by you in 1949, the tape that you bought by them was used by you, was it not, in assembling two or more cans together to sell as a package?

A. If the question is "and not in accordance with the patent," the answer is "Yes." [96]

\* \* \* \* \*

Q. (By Mr. Harris): Referring back to this last invoice to you from El Queeno Cigar Company dated December 29, 1949, I notice again on that one there appears the label " $\frac{3}{4}$  inch x 2592 inch." Does that refresh your recollection that there was 2,592 inches of tape in each one of these rolls?

A. Well, it sounds logical, but I wouldn't be able to say definitely.

Mr. Lyon: In each roll or in the whole order?

The Witness: No, I don't know. It says " $\frac{3}{4}$  of an inch." I imagine that would be the width of one roll. As far as the 2,592 inches, I could not say what that is.

Q. (By Mr. Harris): About how many double cans could you put together with each roll of tape?

A. Being that I do not know the amount of inches to a roll, I cannot answer your question.

Q. You don't have any idea as to how many cans you assembled with a roll of tape? A. No, sir.

Q. Who in your organization would know how many inches of tape there was in a roll during 1949, when you bought this tape?

A. I imagine Minnesota Mining is the one that

(Deposition of Jeno F. Paulucci.)

should tell you. They supplied the tape. They can tell you. [98]

Q. But who in your organization would know?

A. I don't know of anybody that would know.

Mr. Harris: Now, referring to this file of yours labeled "1950," which you have produced in response to the request to produce, I will do the same thing with this file. We will go through and see how much tape you bought during that year.

First, I refer you to a statement from Duluth Paper & Specialties Company, dated February 17, 1950, showing the sale to you of 720 rolls of Type 600, boxed, and 288 rolls of Type 600 light green, boxed, stamped "Paid February 24, 1950"; then a statement from El Queeno Cigar Company, showing the shipment date of August 31, 1950, to you of 216 rolls of red and 72 rolls of green tape, stamped "Paid October 4, 1950"; and a statement to you from Duluth dated August 30, 1950, showing the sale to you of 288 rolls of such tape, marked "Paid September 8, 1950"; a statement dated August 21, 1950, showing the sale to you of 360 rolls of such tape, stamped "Paid August 31, 1950"; and a similar statement dated August 21, 1950, showing the sale to you of 576 rolls of similar tape, stamped "Paid August 31, 1950"; another statement from El Queeno to you dated August 16, 1950, showing the sale to you of 144 rolls of such tape, marked "Paid October 4, 1950"; and another statement by Duluth to you dated August 14, 1950, showing the sale to you of 288 rolls of such tape,

(Deposition of Jeno F. Paulucci.)

stamped "Paid August 24, 1950"; [99] a further similar statement dated August 1, 1950, showing the sale to you of 216 rolls of such tape and stamped "Paid August 11, 1950"; a further similar statement dated July 28, 1950, showing the sale to you of 144 rolls of such tape, marked "Paid August 7, 1950"; a further statement to you from El Queeno dated June 21, 1950, showing the sale to you of 72 rolls of such tape, stamped "Paid September 27, 1950;" and a further similar statement dated April 4, 1950, showing the sale to you of 60 rolls, 12 rolls, 12 rolls, and 72 rolls.

The Witness: I am not so sure this doesn't cover them all, though. It is the only one that is marked "Paid."

Q. (By Mr. Harris): That is the last one, the 72 rolls? A. Yes.

Mr. Harris: That is stamped "Paid August 8, 1950"; and a further similar statement from El Queeno to you dated March 23, 1950, showing the sale to you of 1152 rolls of such tape stamped "Paid April 17, 1950." [100]

\* \* \* \* \*

Mr. Harris: This last document the witness has referred to is on the heading of "Goldenberg Brothers." It is dated March 7, 1950.

The Witness: It is also marked "El Queeno."

Q. (By Mr. Harris): That is just in pen, is it not? A. Pardon me, sir?

Q. It is just in pen?

A. It is in pen, but it is marked on the same

(Deposition of Jeno F. Paulucci.)

invoice, and it is marked on subsequent ones here.

Mr. Harris: It shows the sale to you of 144 rolls of such tape, marked "Paid April 17, 1950." The next one is a similar invoice, which Goldenberg Brothers has crossed out, [102] and El Queeno Cigar Company is written in, and it shows the sale to you of 25 rolls of such tape, being marked "Paid March 22, 1950."

The Witness: And they are on white paper, with the regular El Queeno invoice there on pink paper.

Mr. Harris: Attached to that is a similar invoice, showing a further sale to you on February 28, 1950, of 144 rolls of such tape, marked "Paid March 22, 1950."

\* \* \* \* \*

Mr. Harris: I am going to find out from Mr. Paulucci how much tape he bought during this year, and if he wants to make it difficult for us that is his privilege. We are going to stay here until we find out.

The next statement in this group is a statement from El Queeno showing the sale of 96 rolls of such tape to the plaintiff, and stamped "Paid November 16, 1950." The next statement is a statement from Duluth Paper & Specialties Company dated September 12, 1950, showing the sale of 504 rolls of such tape to the plaintiff, stamped "Paid September 22, 1950." The next one is a further invoice from El Queeno to the plaintiff, dated September 11, 1950, [103] showing the sale by it to the plaintiff of, first, 480 rolls and, second, 24 rolls of such tape, being

(Deposition of Jen0 F. Paulucci.)

stamped "Paid November 16, 1950." The next one is a similar invoice from El Queeno, dated October 2, 1950, showing the sale of two orders, one of 792 rolls, and the other of 216 rolls of such tape, stamped "Paid February 1, 1951." The next one is a further similar statement showing the sale to plaintiff of 264 rolls of such tape, stamped "Paid November 16, 1950." The next one is a similar statement dated October 9, 1950, showing the sale of 144 rolls of such tape, marked "Paid February 27, 1951." The next similar statement shows a sale of two items, one, 278 rolls and the other 108 rolls of such tape to the plaintiff, stamped "Paid February 1, 1951." The next one is a statement from Duluth Paper & Specialties Company to the plaintiff, showing the sale of 600 rolls of such tape, stamped "Paid December 21, 1950." The next one is a similar statement showing the sale of 551 rolls of such tape, and stamped "Paid December 21, 1950." The next one is a statement from El Queeno to the plaintiff, showing the sale of two items, one, 298 rolls, and the other 468 rolls of such tape, stamped "Paid February 27, 1951." The next one is a similar statement showing the sale of two items, one, 105 rolls, and the other 24 rolls of such tape to the plaintiff, stamped "Paid February 27, 1951." The next one is a further similar statement, dated December 14, 1950, showing the sale of two items, one, 286 [104] rolls and the other 100 rolls of such tape, stamped "Paid February 27, 1951."

Q. Now, Mr. Paulucci, those statements that I

(Deposition of Jeno F. Paulucci.)

have identified show the sales of tape to that extent to the plaintiff corporation, do they not?

A. No.

Q. What do they show?

A. They show listings of tape invoices, packing slips, bills of lading, confirming orders, an assortment. [105]

\* \* \* \* \*

Q. Are these records for 1949 and 1950 that have been produced here all the records that you have showing purchases by your company during those years?

A. To the best of our knowledge, yes. [108]

\* \* \* \* \*

Q. Let us go through these 1951 records too, while we are about it.           A. Yes, sir. [109]

Mr. Harris: This is the file that counsel has produced bearing the legend "1951."

The first invoice in that file is an invoice to you from El Queeno dated January 2, 1951, showing the sale to you of two items, 58 rolls and 228 rolls of such tape, marked "Paid March 16, 1951." The next one is a similar invoice dated January 10, 1951, showing the sale to you of 148 rolls and 200 rolls of such tape, being marked "Paid March 16, 1951." The next statement is dated January 10, 1951, showing the sale of 360 rolls of such tape, and marked "Paid March 16, 1951." The next one is a similar invoice, dated January 17, 1951, showing the sale of two items, one, 216 rolls and one,

(Deposition of Jeno F. Paulucci.)

468 rolls of such tape, marked "Paid May 3, 1951." Then the next one is a similar invoice dated January 18, 1951, showing a similar sale of 108 rolls of tape, and marked "Paid May 3, 1951." Next, there is a statement from Duluth Paper & Specialties Company to you dated March 27, 1951, showing the sale by it to you of 1152 rolls of such tape, marked "Paid April 6, 1951." Next, there are two—there is a loose invoice to you from Duluth——

Mr. Lyon: You just read that.

Mr. Harris: No, I did not. It is dated February 14, 1951, showing the sale of 752 rolls of such tape, marked "Paid February 23, 1951." The next one is a similar invoice dated February 7, 1951, showing the sale to you of 400 rolls [110] of such tape——

The Witness: You are duplicating it, aren't you?

Mr. Harris: ——marked "Paid February 16, 1951."

Q. Will you point out what has been duplicated?

A. Aren't you duplicating? You got 1152 on this record. I don't know if it refers to this one, but the two there make 1152.

Q. These invoices are marked "Paid"——

A. That is correct.

Q. ——in February, whereas this invoice, the statement I read is marked "Paid" in April.

A. Yes, sir, and there might be other invoices in here also, other statements covering that item. Here is 1152, marked April 27th. Here is 1440 marked April 9th. [111] \* \* \* \* \*

(Deposition of Jeno F. Paulucci.)

Mr. Harris: Here is a further statement from Duluth Paper to the plaintiff. This statement is dated March 29, 1951, showing the sale of two items, 60 rolls and 1440 rolls of such tape, stamped "Paid April 9, 1951." The next document is a similar statement dated April 17, 1951, showing the sale of 1152 rolls of such tape, having the date stamp of April 27, 1951. The next one is an invoice from Duluth, covering 912 rolls, the invoice showing a shipment date of April 27, 1951, and being stamped "Paid May 7, 1951." The next one is a similar invoice showing a shipment date of May 10, 1951, and showing the sale of 240 rolls of such tape, being marked "Paid May 18, 1951," and the last one is a similar invoice showing the sale of 1152 rolls, bearing a shipping date of May 10, 1951, and a date of payment on May 18, 1951.

Q. And your statements as to the meaning of those records in 1951 are the same as you previously have given with regard to the records in 1949 and 1950, are they?

A. I feel that there are invoices and statements in there which will duplicate one another, as stated to you.

Q. Well, why do you feel that, Mr. Paulucci?

A. Because of the nature of the invoices, and the way the statement is different colored—a different sized piece of paper, and one is marked an invoice and the other one is more or less a statement showing invoice numbers. [112]



(Deposition of Jeno F. Paulucci.)

Q. Will you take this last file, the 1951 file, and pick out any of the duplications that you believe exist?

A. I think any of the Duluth Paper Specialties ones, where he has listed invoices and also a statement, that there would be some duplications there.

Q. Do you know of any such duplications?

A. I do not know of any, no, sir.

Q. Can you tell us about how many of these double can packs you sold in the year 1950?

A. No, sir.

Q. Or the year 1951 up to May 14th?

A. No, sir.

Q. Can you even estimate how many you sold?

A. I would not want to estimate it.

Q. You mean you are unable to?

A. I would say so, yes.

Q. In these years 1949, 1950 and 1951, has the plaintiff Chun King Sales, Inc., sold anything other than these multiple can packs? A. Yes.

Q. What? A. A variety of other items.

\* \* \* \* \*

Q. Well, I am afraid I am not clear. Certainly the record, I don't think, is clear. The question was, during the years 1949, let us start with 1949, did you sell any products except in these multiple can packages?

A. Oh, I see. Well, then I might have given you the wrong answer.

Q. Yes, I thought you misunderstood the question. A. Yes. [114]

(Deposition of Jen0 F. Paulucci.)

Q. Straighten it out now, if you will.

A. Will you read me the question again?

(Record read by reporter.)

The Witness: Could we strike that?

Q. (By Mr. Harris): Just explain it.

A. It is hard for me to give you any definite breakdown of what items we had other than multiple items, as you mentioned, in 1949, because each year we kept adding some items, so I would give you the best of my knowledge in those particular years; do you follow me?

Q. Yes.

A. In 1949, in addition to the multiple units, I suppose we had "303 Chicken Chow Mein"; "303 Sprouts"; "303 Vegetable Chow Mein"; "303 Vegetables"; "Chop Suey Vegetables"; "303 Noodles"; "No. 2 Noodles"; "Soy Sauce"; and then "Gallons of Sprouts," "Gallons of Vegetables," "Gallons of Noodles," "Gallons of Soy Sauce."

Q. And those were all sold in single can packages; is that right?

A. Yes, they were sold in single cans.

Q. And how about 1950?

A. Let us get back to the question, your first question says what items other than multiple ones?

Q. Yes, that is right.

A. But part of these items that I have listed for you were also sold in multiple items. [115]

Q. Yes, I understand that.

A. So I don't want to conflict with this question.

Q. I understand that. That is fine. The point is:

(Deposition of Jeno F. Paulucci.)

You did sell products other than in the multiple can packages?

A. Yes, sir, yes, sir.

Mr. Lyon: And many of them.

Q. (By Mr. Harris): And the same is true in 1950 and 1951? A. Yes, sir.

Q. In 1949 about what percentage of your gross business was done in the multiple can packages?

A. I cannot tell you that.

Q. How about 1950?

A. I could not tell you for any years. [116]

\* \* \* \* \*

Q. What similarities are there in the use of the tape on defendant's product exemplified by Exhibit 4 and the use of the tape on your product, exemplified by Exhibit 1?

A. The banding of the two cans together, as per our patent.

Q. What do you mean "as per your patent"?

A. Applying the tape around the cans in such a way [147] that tension is used in order to bind them together.

Q. As a matter of fact, the only similarity, so far as the tape is concerned on the product, is that each of them contains two or more cans bound together with a sticky tape, is it not?

A. That is not true.

Mr. Lyon: That is objected to as argumentative.

Q. (By Mr. Harris): May we have an answer, please? A. That is untrue.

Q. What other similarities are there?

(Deposition of Jeno F. Paulucci.)

A. I believe I have completed the resume of similarity as I see them now.

Q. You know of no other similarities in the use of the tape other than those you specified; is that correct?

A. At the present moment that is all I can say.

\* \* \* \* \*

Q. Paragraph V of the Complaint alleges "Plaintiff Jeno F. Paulucci conceived, developed and perfected certain novel and unique methods and apparatus for rigidly and positively securing cans together in an end-to-end relationship."

What were those novel and unique methods that you perfected?

A. The taping of two cans together in the end-to-end fashion, as outlined in the patent.

Q. There is only one method outlined in the patent, [163] is there not?

A. There is only one method that I know of of applying the tape.

Q. And what were those novel and unique apparatus referred to in this paragraph of the Complaint, the apparatus shown in the patent in suit?

A. That is correct.

Q. What is novel and unique about this method referred to in Paragraph V of the Complaint?

A. Uniting those two cans together so that they will stay in end-to-end fashion without coming apart.

Q. How is that done?

A. By applying tension to the tape in such man-

(Deposition of Jen0 F. Paulucci.)

ner that the two cans are practically welded together by the tape.

Q. If you don't apply tension you cannot get the result of this method of yours; is that correct?

A. That is correct.

Q. What is novel about the apparatus referred to in this paragraph?

A. Well, I am not—I don't know exactly what you are driving at or mean, but it is novel to the extent that it is a means to the end, and that is applying the tape with tension to the two cans, as outlined in the patent.

Q. Are there any novel features of the apparatus?

A. As I have answered before, novel to the—as [164] being a means to an end.

Q. So that the only thing novel in the apparatus is an apparatus which can certainly be used to join two cans together with a sticky resilient tape; is that right?

A. Not only that, but without that apparatus as is you would not get the results, we feel, of the tension with the tape.

Q. What is unique about the apparatus, if anything?

A. Unique in the — again I say unique as a means to the end of having the two cans taped together with tension, so that they are practically welded to one another.

Q. How much tension do you put on the tape when you are practicing this method?

(Deposition of Jeno F. Paulucci.)

A. Sufficient to cover the contours of the can over the beads.

Q. Can you specify that in terms of any particular amount of pull on the tape?

A. I cannot.

Q. Do you have to determine that by experiment with each particular type of tape?

A. I would say that would have something to do with it.

Q. You can't tell anybody how hard to pull this tape to accomplish this result, can you?

A. I can show them, yes.

Q. Just hard enough to have the tape go on smoothly [165] without wrinkles; isn't that a fact?

A. No, sir.

Q. How hard do you pull it?

A. I answered you before, go around the contours of the beads and onto the label on the edge of the can.

Q. Hard enough to make the tape go on the can properly, but not hard enough to break the tape; is that a fair statement?           A. No, sir.

Q. If you were going to tell anybody how hard to pull the tape to apply it to a can, in practicing this method alleged in Paragraph V of the Complaint, how hard would you tell them to pull the tape?

A. I would show them.

Q. You could not tell him how hard to pull it?

A. I suppose I could tell it, yes.

Q. How hard would you tell them to pull?

(Deposition of Jeno F. Paulucci.)

A. Hard enough so that he doesn't break the tape.

Q. Any tension short of breaking the tape would be adequate; is that correct?

A. No, sir, it depends on the tape.

Q. And the user would have to experiment to determine how hard that would be?

A. If he was using different types of tape I would suggest it would be a good idea. [166]

\* \* \* \* \*

Q. None of the tape which you have purchased to practice the method of the patent in suit, however, has been specially made for such use, has it?

A. No, sir.

Q. It is just a commodity sold on the open market, is it not?

A. I would not know for certain, but I would say so, yes. [170]

Q. Do you find that some tapes are more adaptable for use in this method of the patent in suit than other tapes?

A. The answer to that would be apparently yes. It depends on the supplier and the type of tape he manufactures.

Q. However, this extensive testing referred to in Paragraph VI of the Complaint did not involve the selection of the proper tape, did it?

A. No, we believed that was very much secondary.

Q. What was the problem that required this extensive testing?

(Deposition of Jeno F. Paulucci.)

A. Keeping the two cans together so that they would not come apart.

Q. And just what was it that finally gave you success in that regard?

A. The tension on the label, so that it went to the contours of the beads onto the can and welded them practically into one.

Q. You said "the tension on the label." I think you misspoke yourself.

A. The tension on the tape, I am sorry.

Q. And that was the only thing that created this problem, was it?

Mr. Lyon: What do you mean? I think you had better read your question.

Q. (By Mr. Harris): Excuse me, the only thing that solved the problem. [171]

A. It was the end result that solved it. There were many ramifications that entered into it. [172]

\* \* \* \* \*

Q. Mr. Paulucci, in the practice of the method of the patent in suit, is it important to apply the tape over the beads on the cans and adjacent side-walls while the tape is in a stretched condition?

A. It is. [177]

Q. Is that essential to the practice of this method? A. Under tension, yes.

Q. How much do you have to stretch the tape?

A. Enough to go around the contours of the beads onto the sides of the cans in order to bring it into a—as if they were practically welded together.



(Deposition of Jeno F. Paulucci.)

Q. Is any particular resiliency required in tape for practicing this method?

A. What do you mean by "resiliency," that word?

Q. The patent says it must be a resilient tape. How resilient should the tape be?

A. Sufficient to go around the contours of the beads onto the can in order to weld them in a position where the two cans are practically welded together.

Q. The patent also refers to the tape as being sticky. How sticky does the tape have to be?

A. Sufficiently to keep those cans welded together in the fashion described above.

Q. In practicing this method of the patent in suit is it essential you rotate the cans?

A. I know of no other way you could do it.

Q. In your present——

A. I would like to amend that at this point that if the cans were rotated at least the tape would have to be rotated around them in such manner as to go around the contours of the beads of the cans with tension. [178]

Q. The only difference in the method practiced by you prior to August, 1951, in your commercial operations in securing together two or more cans in end-to-end alignment, and with a resilient sticky tape, and your practice of the method of the patent in suit commercially after that date was the use of more tension on the tape while the tape was being applied to the cans, was it not?

(Deposition of Jeno F. Paulucci.)

A. That was one of them, yes, sir; the major one.

Q. What other differences were there in the practice of the method?

A. The apparatus used.

Q. So far as the method is concerned of applying the tape to the cans, that was the only difference, was it not?      A. No, sir.

Q. What other differences were there?

A. The condition of the cans, the weight of the cans.

Q. What do you mean by "the condition of the cans"?

A. Whether the cans were greasy on the beads.

Q. You found, did you, that in practicing the method of the patent in suit the beads of the cans should not be greasy?

A. No, sir, I did not say that.

Q. So that isn't an important feature of the thing?      A. What did you say, sir?

Q. That is not an important feature in the situation?      A. That is not true. [179]

Q. You mean it is an important feature?

A. It contributes to the over-all, yes, sir.

Q. In your practice of such earlier method prior to August of 1951 how did you guide the tape onto the cans?

A. It wasn't guided, as I mentioned to you before. It was pulled out, and the cans were more or less rolled into the tape.

(Deposition of Jeno F. Paulucci.)

Q. The tape was merely guided and supported by the hand of the operator, was it not?

A. More or less.

Q. And that is true in your practice of the patent in suit, is it not?

A. Not in the same manner, no, sir.

Q. How do they differ?

A. The tape was loose before, it was not under tension.

Q. That is the only difference?

A. The tape before was pulled out and the cans were rolled into the loose tape.

Q. And now how do you do it?

A. Under tension.

Q. You just put more tension on the tape; is that correct?

A. The tape is now pulled out loose.

Q. You put tension on the tape now where you didn't do it before? [180]

A. The tape was loose before also.

Q. Is the v-shaped trough shown in your patent in suit and identified by the numeral "6" essential to the apparatus shown there?

A. I would say yes.

Q. In the practice of the method of the patent in suit, is there any particular importance in the spacing of the tape dispenser from the cans themselves?

A. I would say yes.

Q. And what determines that spacing?

A. The speed of operation, the type of tape, the products.

(Deposition of Jeno F. Paulucci.)

Q. The only importance is, is it not, to permit you to cut off the length of tape on the cutter of the apparatus just long enough to go around the cans that are being packed? A. Not necessarily.

Q. In practicing this method does the plaintiff always have the one end of the tape overlap the other end of the tape as applied to the cans?

A. Other than the human error, yes.

Q. When you were speaking of differences between your old method prior to the invention of the patent in suit for joining together two cans, as you have described, and the method of the patent in suit, you mentioned that the weight of the cans is a factor in the situation. How [181] does the weight of the cans affect the practice of the method?

Mr. Lyon: I think it is a misquotation of the witness' testimony.

Q. (By Mr. Harris): I will ask him: Does the weight of the cans have anything to do with the practice of the method of the patent in suit?

A. Not the methods, no, sir. [182]

\* \* \* \* \*

[Title of District Court and Cause.]

## NOTICE OF DEPOSITION AND PRODUCTION OF DOCUMENTS

To: Chun King Sales, Inc. and Jeno F. Paulucci, Plaintiffs, and Messrs. Williamson, Schroeder, Adams & Meyers, Everett J. Schroeder, Esq., Lyon & Lyon, Lewis E. Lyon, Esq., and R. Douglas Lyon, Esq.:—

Please Take Notice That on May 18, 1955, at the hour of 10:00 o'clock a.m. at 321 Subway Terminal Building, 417 South Hill Street, Los Angeles 13, California, on behalf of the defendant in the above-entitled action, we shall take the deposition of plaintiff Jeno F. Paulucci, as an individual plaintiff and as president of plaintiff Chun King Sales, Inc., and he is requested to so appear and permit the taking of his deposition.

Plaintiff Jeno F. Paulucci is hereby requested to produce at said time and place and permit the inspection of any and all of the following written records, memoranda, drawings, correspondence, and other documents in the possession of or under the control of the plaintiffs or either of them:

(a) Those referring or relating to, or evidencing, the earliest date of conception of the alleged inventions of Letters Patent No. 2,679,281 in suit by the inventor or patentee thereof;

(b) Those referring or relating to, or evidencing, the earliest date or dates of reduction to practice of the alleged inventions of Letters Patent No. 2,679,281 in suit;

(c) Those referring or relating to, or evidencing, participation of James Bingham and any other person or persons in both the conception and reduction to practice of the alleged inventions of Letters Patent No. 2,679,281 in suit;

(d) Those referring or relating to, or evidencing, consultations in the years 1949, 1950, and 1951 be-

tween plaintiffs, and either of them, and representatives of Minnesota Mining and Manufacturing Company of St. Paul, Minnesota, relating to any and all of the alleged inventions of Letters Patent No. 2,679,281 in suit and/or the fastening together of two or more containers by the use of a sticky tape;

(e) Those referring or relating to, or evidencing, the earliest sales by the plaintiffs, or either of them, of two or more cans connected together in an end-to-end relationship and as a single unit as referred to in Paragraph X of the Complaint in this action;

(f) Those referring or relating to, or evidencing, all sales by plaintiffs, and each of them, during the years 1949, 1950, and 1951 (up to May 14, 1951) of products made with or by the alleged inventions of Letters Patent No. 2,679,281 in suit;

(g) Those referring or relating to, or evidencing, all purchases by plaintiffs, and each of them, during the years 1949, 1950, and 1951 (up to May 14, 1951) of sticky tape adapted to be used in practicing the alleged inventions of Letters Patent No. 2,679,281 in suit;

(h) Those referring or relating to, or evidencing, all purchases by plaintiffs, and each of them, during the years 1949, 1950, and 1951 (up to May 14, 1951) from Minnesota Mining and Manufacturing Company of St. Paul, Minnesota; Industrial Tape Corporation, Permaseal Tape Corporation of New Brunswick, New Jersey, Technical Tape Corporation of New York, New York, and all jobbers and dealers selling the products thereof;

(i) A true copy of the license referred to in Paragraph IX of the Complaint in this action;

(j) Copies of any and all advertising and displays relied upon by plaintiffs, or either of them, in support of the averments of Paragraph XI of the Complaint in this action;

(k) Those referring or relating to, or evidencing, any recognition of the purchasing public as referred to in Paragraph XII of the Complaint in this action;

(l) Those referring or relating to, or evidencing, the alleged enviable reputation referred to in Paragraph XV of the Complaint in this action;

(m) A sample of each type of product sold by the defendant as referred to in Paragraph XVI of the Complaint in this action;

(n) Those referring or relating to, or evidencing, that the purchasing public have been deceived and misled into purchasing defendant's oriental-type food products instead of the products of plaintiff Chun King Sales, Inc., as averred in Paragraph XVII of the Complaint in this action;

(o) Those referring or relating to, or evidencing, that any products of defendant are of an inferior grade to those of plaintiff Chun King Sales, Inc., as averred in Paragraph XVIII of the Complaint in this action;

(p) Those referring or relating to, or evidencing, that any of the defendant's acts has damaged the

business reputation or good will of plaintiff Chun King Sales, Inc., as averred in Paragraph XVIII of the Complaint in this action; and

(q) Those referring or relating to, or evidencing, that plaintiffs, or either of them, have lost any sales or business as a result of any act of defendant, as averred in Paragraph XIX of the Complaint in this action.

Dated: May 6, 1955.

HARRIS, KIECH, FOSTER &  
HARRIS

/s/ By FORD HARRIS, JR.,  
Attorneys for Defendant

[Endorsed]: Filed Nov. 21, 1955.

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\* \* \* \* \*

JOHN W. KESTERSON

called as a witness on behalf of the defendant, having been previously duly sworn, testified further as follows:

Direct Examination

Q. (By Mr. Harris): Mr. Kesterson, did you ever see the defendant, Oriental Foods, taping cans together in end-to-end relationship by a sticky resilient tape?      A. Yes, I did.

Q. When did you first see that done?

A. As I recall, it was in June of 1949. [370]

Q. How long did that continue?

A. Well, I would say around six or eight months at that time.



(Testimony of John W. Kesterson.)

Q. How was it done, manually, or by a machine?

A. It was done manually.

Q. Will you please describe in detail the steps that were employed at that time to accomplish that?

A. Well, we had ladies doing the work, and they would pick up one can and then place another one on top of it in the palm of their hand.

Q. Which hand?

A. Well, it would be the left hand, if they were right handed. Then they would take a piece of tape long enough to go round the can, placing it on with their thumb——

Q. Placing what on with their thumb?

A. The tape on to the seams of the cans.

Q. All the tape at one time?

A. No, just the end, and then they would pull it around, exerting enough pressure to put it so that it would adhere to the side walls of the cans, and also stick to the seams.

Q. What do you mean, pulling it around?

A. Well, by rotating the can, and holding on to the end of the tape and pulling on it, it would go around the end of the can, and make a neat job.

Q. Does the defendant, Oriental Foods, [371] tape cans together manually at the present time?

A. Yes, they do.

Q. How does the present operation differ, if it differs, from the one practiced in 1949?

A. Well, I wouldn't say that it differs at all.

Q. I show you Plaintiffs' Exhibit 12, and ask

(Testimony of John W. Kesterson.)

you if you recognize that taping operation illustrated by that can?      A. Yes, I do.

Q. What is that?

A. Well, it differs slightly from the one we did in '49, due to the fact that we don't put the tape all the way around.

Q. You mean in this exhibit the tape does not go all the way around; is that correct?

A. That's right, yes.

Q. Whereas, what was the situation in 1949?

A. Well, we did put the tape all the way around the can.

Q. Other than that, does the present operation differ from the 1949 operation?

A. No, practically the same.

Q. How many cases of cans of food were taped together as you described in 1949 by the defendant?

A. Well, I couldn't give you the exact [372] amount, but it was well over—in the thousands.

Q. And what was done with the product from that taping operation?

A. They were cased and sold.

Mr. Harris: That is all. Counsel may cross examine.

The Court: All right, Mr. Lyon.

### Cross Examination

Q. (By Mr. Lewis E. Lyon): Mr. Kesterson, it is my understanding of your testimony that there was an attempt to tape some cans together in 1949. How do you fix that date?

(Testimony of John W. Kesterson.)

A. Well, it was around June of '49, as I recall.

Q. How do you fix '49 instead of '50, '51 or '52?

A. Well the question was, when did I first start taping the cans, was it not?

Q. The question is, how do you fix it as either '51 '50, '49? How do you fix the date as being 1949?

A. Well, that is when we started the taping operation, in '49.

Q. Well, have you any records of that?

A. I don't have, personally. I am sure the company——

Q. Did anything particular occur in your life in 1949, that enables you to fix the date as 1949, to differentiate it from any other year? [373]

A. Well, I can't say, except that I just recall that it was in 1949. I know that it was.

Q. Now, your statement was that the women took a piece of tape that was cut off from a roll—a piece of tape like that (indicating); is that correct?

A. That's right.

Q. And they took cans, and they piled one can on top of another, and then they held both cans together, is that right, with one hand? A. That's right.

Q. And they applied a piece of tape around here, and then they rotated the tape, is that correct? Or did they rotate the can, or did they rotate the tape?

A. They rotated the can in their hand, holding the tape.

Q. They rotated the can in their hand, holding the tape. And they rotated it like this (indicating); is that correct? A. In that manner, yes.

(Testimony of John W. Kesterson.)

Q. And they came out with something about like that (indicating), is that it?

A. No, they came out with a neater job than that.

Q. When was it that they stopped this operation?

A. I believe it was around the first of the year in 1950.

Q. Why? [374]

A. Why did they stop the operation?

Q. Yes.

A. Well, we went into a different container.

Q. I see. They didn't start up taping again until some time in 1954; is that correct?

A. I believe that would be correct.

Q. In this operation shown by Exhibit 11, which is the one which was recently produced by the defendant—when was that done?

A. Well, I couldn't give you the date when that particular can was taped.

Q. You know that cans have code numbers on them, do you not?      A. Yes, I do.

Q. Are you familiar with the defendant's code?

A. Well, that code may have been changed since.

Q. Well, this was a late 1955 operation, was it not?

A. Well, it could have been in the latter part of '54, too.

Q. When did you bring out this particular label of Exhibit 11?

A. I can't recall the exact date on that, either.

Q. But it was in 1955, wasn't it?

(Testimony of John W. Kesterson.)

A. I believe it was, yes.

Q. All right. Now, you don't recall from the [375] code number that is on the bottom of that can as to what that code is? Would you look at it?

A. No, I can't give you the date on that.

Q. Isn't it a fact that in your operations, as shown by Exhibit 11, that if you pull the tension on the tape correctly you cause the tape to stretch around the beads of the can, and adhere to the side walls of the can, you can eliminate some of the tape, so that you don't have to carry it all the way around the can?

A. Yes.

Q. And that is what you are doing now?

A. That is true.

Mr. Lewis E. Lyon: That is all.

Mr. Harris: No further questions.

The Court: All right.

(Witness excused.)

Mr. Harris: I will call Mr. Jaisohn Hyun to the stand.

### JAISOHN HYUN

called as a witness on behalf of the defendant, having been previously duly sworn, testified further as follows:

#### Direct Examination

Q. (By Mr. Harris): Mr. Hyun, when did Oriental Foods, the defendant, [376] first start to tape cans together on end-to-end relationship with a sticky resilient tape? In June, 1949.

Q. How long did it continue to do so from that date?

(Testimony of Jaisohn Hyun.)

A. Up to the beginning part of the year 1950.

Q. Will you please describe the taping operations that were done in your plant in 1949?

A. Yes. The female packer would take and grab the can with the chop suey in it, and with the other hand place a can of chow mein noodles on top of it. Then with the right hand she would take a piece of tape, and the measure had been predetermined.

Q. How long a piece of tape?

A. Enough to go around the circumference of the cans and slightly overlap those approximately a quarter of an inch.

Q. Then what would she do?

A. She would tack down the leading edge of the tape in the center, where the cans joined, and by a twofold operation manually of rotating the cans with the left hand together, and pulling and guiding the tape with the right hand, the trailing edge of the tape, she would bind the two cans together, stretching and pulling and trying to get it to conform to make a tight connection.

Q. Connection with what? [377]

A. Trying to connect the two cans together securely, and have the tape do that job by definitely connecting the cans in a strong connection, and, also, to get the tape down on the paper label, which was important. We wanted to get that tape down on the label.

Q. Why was it important to get the tape down on the label?

A. Well, we had experienced—because the one

(Testimony of Jaisohn Hyun.)

can was sold with the second can for a penny, we had discovered that some groceries would take the units apart and sell both units separately for their real value.

Now, if we placed the tape around and had it on the paper label, when the grocer attempted to take the tape off, he would tear some of the label, therefore making the product somewhat unsalable.

Q. How many girls or women did you have at Oriental Foods in 1949 so taping cans together?

A. Generally, about six to eight in a group or a crew, and it could be anywhere from a dozen to two dozen taping at one time.

Mr. Harris: I produce a folder containing what appear to be a number of business records, which I ask be marked for identification as defendant's exhibit next in order.

The Clerk: Defendant's AE, for identification.

(The document referred to was marked Defendant's Exhibit AE, for identification.)

Mr. Harris: I show this exhibit that has been marked for identification to opposing counsel.

(The document was handed to counsel.)

Q. (By Mr. Harris): Mr. Hyun, what is Defendant's Exhibit AE, for identification?

A. It is a copy of an invoice,—

Q. No, excuse me. The exhibit is the whole file.

A. Yes. This is a file of invoices accompanied with delivery tickets signed by the recipient of the merchandise.

Q. In connection with that?

(Testimony of Jaisohn Hyun.)

A. In connection with our taped one cent sale deals. There is also a voucher from the check, which is attached in most cases, indicating the payment thereof for that merchandise.

Q. Picking out one of these clipped together groups of paper at random, will you just explain what that is? What is the green paper, first of all?

A. This is an invoice. It is our office copy record of the invoice, which indicates that 15 cases of taped Jan-U-Wine one cent sale deal in the chicken variety were sold to the Market Wholesale Grocery Company on June 17, 1949.

Q. What is that invoice? Was that sent to the customer,—the original? [379]

A. This is the office copy of the invoice. This invoice copy was maintained in the office.

Q. Then what is the white document attached to that?

A. It is entitled a delivery memo, indicating that these cases were shipped to Market Wholesale Grocery Company, and signed and receipted for.

Q. On what date? A. On June 17, 1949.

Q. Then what is the third yellow document attached to that?

A. The third yellow document is a voucher from a check, indicating that this particular invoice is paid and discounted, and on the front—this green copy, then being an accounting department copy, is stamped and marked paid, with this check voucher number on the back, indicating that that has been a completed transaction; an order, a sale, a delivery,



(Testimony of Jaisohn Hyun.)

a receipt, and a payment received thereof, completing the transaction.

Q. How many cases does that particular group of documents relate to, that one you had in your hand?

A. This refers to actually 15 cases. I notice that the delivery memo was originally written on June the 9th, and the reason for that is that this is a—some of the one cent sales were back ordered, and that is why we had the final shipping date and the invoice date of the 17th. [380]

Mr. Harris: I ask that this particular group of three papers be marked as Defendant's Exhibit AE-1, and I offer it into evidence as such.

The Court: It may be received.

(The document referred to was marked Defendant's Exhibit AE-1, and received in evidence.)

[See Book of Exhibits.]

The Court: So long as I made one indication in one way, I want to make another indication in another way.

I am not impressed very much by any argument made by the plaintiff relating to imitation of sales. One cent sales have been known for many, many years, and are indulged in by many people, so the mere fact that the man applies it to this type of food does not give him the right to exercise it against anyone else. The only materiality of the

(Testimony of Jaisohn Hyun.)

sale is background, and if there was not in those sales any imitation of label or lettering, it would have no bearing upon any issue of infringement or unfair competition.

Nobody can claim the right to be the first one to introduce that in food sales. You can pick up the Wednesday advertisements in the Los Angeles afternoon papers—that is the market day—and you will find Thriftys advertising one cent sales on all sorts of brand products, pharmaceutical products, tooth pastes, and others, and they even issue a catalog. So that I don't think anybody is going to contend that Chun King acquired the sole right of applying [381] the one cent sale to chop suey or Chinese foods.

Mr. Lewis E. Lyon: That isn't our purpose in that showing at all, your Honor. It is the only one step in the series. We don't claim any right or privilege, or sole right to sell a one cent sale, and then if there isn't label copying, or a copying of something else. The fact it is a one cent sale has nothing whatever to do with it.

The Court: Then we agree on that. Then I do not see where it is of any great significance to show when he began to make one cent sales. If there is no imitation of label, counsel and I agree that it has no significance.

Mr. Harris: I don't agree with that, if the court please, because this evidence has this additional import. If the defendant's taping operations today infringe the patent in suit, his taping operations in

(Testimony of Jaisohn Hyun.)

1949 anticipated the patent in suit. It was a prior public use by the defendant of the same thing he is doing today.

The Court: I am not trying to deprive you of the defense of anticipation. I am aware that you are urging anticipation.

Mr. Harris: I just wanted to point that out.

The Court: They are not claiming the sole and exclusive right to tape, either. They are claiming the sole and exclusive right to tape under the process described in the patent.

Mr. Harris: Thank you, your Honor. I am very glad you [382] brought that out, because that is a primary point.

At any rate, may I continue with the proof?

The Court: No, you cannot extend the scope of a patent. We get back again to the proposition I adverted to in the beginning, and that is to the two shoe cases, the Solnit and the Joyce cases. In that case Mr. Joyce thought he had a patent to any kind of a platform shoe, but if he had that, he had nothing, because platform shoes have been known for hundreds of years, and you can find them illustrated in Chinese art over the centuries.

Then when we limited them to a peculiar way of achieving a platform shoe, that is, to a one-piece encased in a sole, then we limited the scope of the patent, and we judged every one. Some of them I found infringed. In the Solnit case, where they put in, instead of one piece, several pieces, we found they did not.

(Testimony of Jaisohn Hyun.)

This is a very narrow patent, and, apparently, a very simple patent, but which, of course, does not deprive it of the right to be patented.

I do not agree, as I have told you, and everybody in the patent bar, with that unfortunate phrase of Mr. Justice Douglas, that a patent must represent a spark of genius. If that were true, some of the most valuable patents, including the zipper, would not be worth very much, because they do not represent genius. On the contrary, the zipper patent [383] represented sloppy workmanship instead of good workmanship, because perfection in the zipper resulted in a stiff surface, while the man who made the elements loose, in an unworkmanlike manner, got something that nobody else had had. He had a zipper that could be applied to the inside of a portfolio, to the top of a bag, and to almost anything, to a man's clothes and to a lady's dress, and not be stiff.

However, I don't think that it is claimed, on that it could be claimed that the taping together of two cans is patentable. What they have in the patent and in claim I is merely a method of applying a certain tension, and having the cans—not "beveled"—what is the word you used?—having them serrated and achieve a strong union. That is all they claim. [384]

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Q. (By Mr. Harris): Mr. Hyun, I show you a second group of three papers from this file, Defendant's Exhibit AE, and ask you if that is the

(Testimony of Jaisohn Hyun.)

same sort of thing as AE-1, I just showed you a minute ago?      A. Yes, it is.

Q. And how does this show any sale as of that date? By the way, what is the date of this exhibit?

A. June 17, 1949.

Q. What is on there to show that it was a sale of a taped product, such as you testified to?

A. The description is, "Jan-U-Wine 1c Sale (Chicken)."

Q. I note on this one there are a number of other items: Jan-U-Wine combination deal, Jan-U-Wine bean sprouts, and so forth. Do those have anything to do with taped products?

A. No, they don't.

Q. How many cases does that particular group of papers indicate were sold of the taped product?

A. Ten cases, and 15 cases on back order.

Mr. Harris: This is offered into evidence as the [385] Defendant's Exhibit AE-2.

The Court: All right. It may be received.

(The document referred to was marked Defendant's Exhibit AE-2, and received in evidence.)

[See Book of Exhibits.]

Q. (By Mr. Harris): Mr. Hyun, approximately how many cases of the taped product did you sell in 1949, as shown by these records that you have before you?

A. I ran a rough tape on these. Unfortunately, this file covers only the period June through September.

(Testimony of Jaisohn Hyun.)

Q. And how many cases were sold during that period?      A. 1,916 cases.

Q. Does that cover all customers?

A. No. Incidentally, this is predominantly one customer.

Q. Did you sell to other customers?

A. Yes, we had it open to all customers at this time.

Q. And did you continue to sell in 1949, after September of 1949?      A. Yes.

Q. Mr. Hyun, I show you Plaintiffs' Exhibit 47. What, if anything, does the blue color splash indicate on that carton.

A. It is what we call a color coding or identifying color, a particular color for a particular product.

Q. In this particular case in this exhibit, what does [386] the color indicate?

A. Light blue indicates the chow mein-noodle product.

Q. Have you done that with your other products, as well as chow mein-noodles?

A. Yes, we have attempted to do it with all of our products.

Q. Will you please explain to the court the history of this color coding, using color to identify a particular product, so far as your business is concerned?

A. Yes. I think I can start out and say this, that because of the nature of our products, a canned Chinese food product, a lot of education to the

(Testimony of Jaisohn Hyun.)

consumer must be done. Naturally, it is up to the packer to assume the initiative.

So we wanted to — first of all, we had to go through the grocer to get our products recognized by him, before he would then, of course, pass it on to the consumer. So we thought that by color coding our products on our labels, and our shipping cases, there would be a certain amount of recognition being done, a certain amount of education being done by us, to further this educational program that we had in mind.

Q. Now, will you briefly review the history of that, so far as color coding on your cartons is concerned?

A. Yes. We started out with printing cartons in a color in the '30s on our soy sauce bottle, and we used the same color. [387]

Then we decided we must have an identifying color for the product, so in October of 1949 we printed the first bean sprout carton with an identifying color of red.

Mr. Harris: Do you have one of those here in court some place? Can you pick one out?

May the witness step down from the stand to find one of those, your Honor?

The Court: He may step down.

The Witness: This (indicating) is like one of the first cases.

Mr. Harris: May I have this carton that the witness has produced marked as Defendant's Exhibit AF, for identification?

(Testimony of Jaisohn Hyun.)

The Court: It may be marked.

Mr. Harris: And it is offered in evidence at this time.

The Court: It may be received.

The Clerk: Defendant's Exhibit AF identified and admitted in evidence.

(The item referred to was marked Defendant's Exhibit AF, and received in evidence.)

Q. (By Mr. Harris): What is the color coding on this carton?

A. Well, this might seem like a digressive step, moving backward, because we have only the one color. Previously we had our products printed in two colors. This [388] time we printed it all in one color, because for that particular product we chose the red color.

Now, we established red as the basic color, and the second color for the identifying color would be the color of any subsequent products, or any additional products.

Q. What was the next step?

A. The next step occurred on April 27, 1950, where we began to color code the rest of our products.

Chicken chop suey was printed with a basic color, red, and the product name "chicken chop suey" was printed in the light blue.

Q. Would you please produce the chicken chop suey that is coded in red, or one coded in blue, either one?

A. That is not really the case I am after. I just



(Testimony of Jaisohn Hyun.)

couldn't locate any of those older cases that really exemplified the continuity of the complete color pattern.

Mr. Harris: The carton the witness has produced I will ask be marked, and I will offer it in evidence as Defendant's Exhibit AG.

The Court: It may be received.

(The item referred to was marked Defendant's Exhibit AG, and received in evidence.)

Q. (By Mr. Harris): And what was the color coding on this particular carton, Mr. Hyun?

A. The color coding there is red for the chicken one [389] cent sale with the rice. The chicken one cent sale with the noodles was the light blue.

Q. All right. Then, what was the next step?

A. We, of course, had—the next step then was, just going back again to this particular carton, of not being enough just to have the product name in an identifying color, because that still only gave us colors, but no pattern. So we started to put a broad stripe all around the case, such as in this case which was just demonstrated, and there are several other cases over there which are more up to date, being printed in the early '50s, which indicate by the color of the stripe the identifying name of the product.

Q. Well, we don't need to take more than one, I think.

A. Now, here is green, and here is orange, and there is a red. We had a blue, a dark blue. We had as many colors as were available.

(Testimony of Jaisohn Hyun.)

Incidentally, at this time in late '49 and early '50 corrugated manufacturers did not have all the inks available to them. They were working with us on developing inks that we could have.

Q. Now, what was the next step, Mr. Hyun, on this carton color coding?

A. Well, the stripe was not yet enough. We discovered that oftentimes little known products, non-staple products, such as ours, were shoved back in the corner of the warehouses [390] or down under a shelf. So we wanted to have more than just a broad stripe. We wanted to have paneling effect. So in April of '52 we ordered the first cartons with the paneling effect, with a color identification.

Mr. Harris: Will you please pick one of those out of these exhibits that we have in the courtroom?

(The witness does as requested.)

Mr. Harris: The witness has selected two further cartons, which I ask be marked, and I offer them into evidence as Defendant's Exhibits AH and AI.

The Clerk: Empty carton of Jan-U-Wine bamboo shoots identified—and admitted into evidence, your Honor?

The Court: They may be received.

The Defendant: As Defendant's Exhibit AH. Empty carton, Jan-U-Wine water chestnuts, identified and admitted into evidence as Defendant's Exhibit AI.

(Testimony of Jaisohn Hyun.)

(The items referred to were marked Defendant's Exhibits AH and AI, and were received in evidence.)

Q. (By Mr. Harris): What was the next step, Mr. Hyun?

A. That ends the pattern in the development so far.

Q. Bringing the pattern up to date, does it?

A. Yes, only just further printing of boxes.

Q. Mr. Hyun, I show you Plaintiffs' Exhibit 13, which is a two-can pack of Oriental Foods, two different cans, bearing on their faces pictures of the contents of the cans. [391] What do you call those pictures of the contents of the cans, in your parlance? A. Vignettes.

Q. When did you start to use vignettes on your products to indicate the nature of the contents of the can?

A. Our first vignette was copyrighted in 1927.

Mr. Harris: Will you produce a sample of that, please.

(The witness does as requested.)

Mr. Harris: I ask that this label be marked as defendant's exhibit——

The Clerk: AJ, for identification.

Mr. Harris: ——AJ.

The Witness: Excuse me, Mr. Harris. I have made an error. That was the second vignette.

Mr. Harris: All right.

The Witness: Actually, that was not copyrighted until 1935.

(Testimony of Jaisohn Hyun.)

Mr. Harris: Will you mark this one, please?

The Clerk: This is AJ, for identification.

Q. (By Mr. Harris): Is my understanding correct that this Exhibit AJ was the second label on which you used the vignetting? A. Yes, sir.

Mr. Harris: This is offered into evidence as the Defendant's Exhibit AJ. [392]

The Court: It may be received.

The Clerk: AJ in evidence.

(The label referred to was marked Defendant's Exhibit AJ and received in evidence.)

Q. (By Mr. Harris): And what was the next label your company used with vignettes?

A. May we precede that one?

Q. Well, it isn't necessary. Let's just go on from the second one that has been identified.

A. The third is a fortune cake label with an over-all vignette background.

Mr. Harris: I ask that this be marked as Defendant's Exhibit AK.

The Clerk: AK, for identification.

Q. (By Mr. Harris): When was this label first put out, Mr. Hyun?

A. That was put out in 1948.

Mr. Harris: That is offered into evidence as Defendant's Exhibit of the same letter.

The Court: It may be received.

The Clerk: AK in evidence.

(The label referred to was marked Defendant's Exhibit AK, and received in evidence.)

(Testimony of Jaisohn Hyun.)

Q. (By Mr. Harris): What was the next vignetted label that you put out? [393]

A. The next group was these two.

Mr. Harris: I ask that these two labels be clipped together, and marked as Defendant's Exhibits AL-1 and AL-2, and be so marked for identification.

Q. Mr. Hyun, when were these labels first used by your company?

A. Between February and April, of 1950.

Mr. Harris: These are offered into evidence as defendant's exhibits next in order.

The Clerk: AL-1 and AL-2, — admitted, your Honor?

The Court: They may be received.

(The labels referred to were marked Defendant's Exhibits AL-1 and AL-2, and received in evidence.)

Q. (By Mr. Harris): And what were the next labels that the defendant employed, using vignettes?

A. I think those are in the Exhibit No. 21.

The Clerk: 21 or 31? 31 is a group of drawings. You mean labels. Is that (indicating) what you want?

Mr. Harris: Yes.

Mr. Tinsley: 32 and 33.

The Clerk: 41.

Q. (By Mr. Harris): Do you have any copy in your possession of what you are referring to, Mr. Hyun?

(Testimony of Jaisohn Hyun.)

Mr. Lewis E. Lyon: It is in one of the envelopes there, 41. [394]

Q. (By Mr. Harris): I show you Defendant's Exhibit—Plaintiffs' Exhibit No. 41-A. Is that what you had reference to?

A. The last admitted into evidence is the same as this exhibit here.

Q. Then there is one later than this; is that correct?

A. Yes. It is in the manila cover.

Q. I show you Plaintiffs' Exhibit 41. Is that what you had reference to? A. Yes.

Q. And that shows the next type of vignetted label which your company put out?

A. No, there is one earlier.

Mr. Harris: The witness has produced three labels which I ask be clipped together and be marked as the defendant's exhibit next in order, -1, -2, -3.

The Clerk: Do you want these as AM?

Mr. Harris: AM-1, -2, -3.

The Clerk: AM-1, AM-2, and AM-3, marked for identification.

(The labels referred to were marked Defendant's Exhibit AM-1, AM-2 and AM-3, for identification.)

Q. (By Mr. Harris): When were these three labels first put out by your company, Mr. Hyun?

A. In October of 1953. [395]

Mr. Harris: These three labels are offered into evidence as defendant's exhibits next in order.

(Testimony of Jaisohn Hyun.)

The Clerk: AM-1, AM-2, and AM-3,—admitted in evidence, your Honor?

The Court: They may be received.

(The labels heretofore marked Defendant's Exhibits AM-1, AM-2 and AM-3 were received in evidence.)

Q. (By Mr. Harris): Mr. Hyun, why did your company, Oriental Foods, discontinue taping cans after 1949?

A. Well, we had run the product, the taped product, as a sale, and we thought we would change the tempo, redesign the package, so we used a cardboard can-conveyor, as it was called, which held the two cans side by side. It was just another packaging method to continue to market the same sale item.

I don't believe there are any of those can-conveyor items here.

Q. There are none of those in court?

A. No.

Q. Mr. Hyun, at any time, to your knowledge, did the defendant, Oriental Foods, ever use any of the plaintiffs' labels as a basis for the design of any label by Oriental Foods?

A. Absolutely not.

Q. To your knowledge, did Oriental Foods ever copy [396] any labels of the plaintiffs?

A. No.

Mr. Harris: You may cross examine.

#### Cross Examination

Q. (By Mr. Lewis E. Lyon): You stated that

(Testimony of Jaisohn Hyun.)

you discontinued taping cans in 1950, and thereafter put the cans together with a cardboard carrier. I hand you what appears to be such a cardboard carrier, and ask you if that is it?

A. Yes.

Mr. Lewis E. Lyon: I will ask that this be marked in evidence as plaintiffs' exhibit next in order.

The Court: It may be received.

The Clerk: Just a minute. Double can of beef chop suey and chow mein noodles, Jan-U-Wine label, identified as Plaintiffs' Exhibit 53. Are these offered in evidence?

Mr. Lewis E. Lyon: We offer those in evidence.

The Court: It may be received.

(The items referred to were marked Plaintiffs' Exhibit 53, and received in evidence.)

Q. (By Mr. Lewis E. Lyon): How long did you continue the one cent sale packaging as illustrated by Exhibit 53? A. Approximately three years.

Q. From when to when? [397]

A. Somewhere in the beginning of 1950 we started, and we continued, I believe, into the year some time of 1954.

Q. How much more does it cost to put this cardboard tie-around with cans than it does to put a piece of tape around the cans?

A. I don't know.

Q. It is considerably more, is it not?

A. I believe it is less.

Q. You have testified on the taking of your



(Testimony of Jaisohn Hyun.)

deposition that it cost considerably more, did you not?

Mr. Harris: That is objected to, if the court please.

The Witness: I don't know. I don't know exactly. I don't know.

The Court: When you are seeking to impeach him by a specific statement, you have a right to refer to the deposition, so that we will know what you are referring to.

Mr. Lewis E. Lyon: Yes, I will do that, your Honor.

Q. You have no knowledge now of the cost of this cardboard carton, as used on Exhibit 53?

A. No, I don't. I tried to anticipate why we did change, and for what valid reasons, and one would probably have been cost of packaging material, and one might have been cost of labor, direct labor, and I don't know.

Q. When you put it in this cardboard carton, like Exhibit 53—and we will hold the rest for just a moment—there [398] is nothing to prevent the merchant from taking the two cans apart, and selling them separately, without damaging either cans, is there, or the labels on either can?

A. No, there is no positive way.

Q. The merchant could strip those two cans of Exhibit 53 from the cardboard container and sell them separately, couldn't he?

A. He could this one, because our one cent sale banner is not across the face of it. This would be

(Testimony of Jaisohn Hyun.)

a regular item in the line, so he could sell that separately.

The Court: I thought you said a while ago that is one of the reasons why you made the labels go over the tape—no, under the tape—was it over or under?

The Witness: Over.

The Court: Over the tape?

The Witness: No, the tape over the labels.

The Court: The tape over the labels?

The Witness: Yes, sir.

The Court: So that if he took it off,—

The Witness: He would tear it.

The Court: —he would tear it, yes.

The Witness: Yes.

Mr. Lewis E. Lyon: I want to place before you your deposition,—

The Witness: Your Honor, in addition to that, that is [399] also why we overprinted the message “1c Sale,” so that they could not sell that item as a regular standard item at the regular standard price.

The Court: You had to protect yourself against your customers or distributors; isn’t that true?

The Witness: Even if the grocer was able to separate them, which in some cases he did, he would definitely have a special promotional item, for which he couldn’t get the regular price.

The Court: I see.

Q. (By Mr. Lewis E. Lyon): Exhibit 53, as I understand it, shows the way that you sold this

(Testimony of Jaisohn Hyun.)

one cent sale item for three years; isn't that correct?      A. Approximately.

Q. Now, I am going to ask you to look at your deposition, taken November 10, 1955, before Rodney A. McKeever, notary public, in Los Angeles, and refer you to page 100 thereof, and will ask you to read that.

The Court: Counsel will probably stipulate that he made those answers. Counsel will probably agree that you may read any of that, and that he so testified.

Mr. Harris: We stipulate he so testified, and that he may read it.

The Court: All right. Go ahead.

Mr. Lewis E. Lyon: The testimony is: [400]

"A. The cans were side by side, held together by cardboard, called a can conveyor.

"Q. How long did you continue to use them in such cartons?

"A. Approximately a year or two years.

"Q. In 1951 or 1952 you went back to taping, is that correct?      "A. I presume so, yes.

"Q. Why did you go back to taping?

"A. Taping was more economical.

"Q. I beg your pardon?

"A. The taping was more economical.

"Q. By that do you mean it was cheaper to pack them by taping them than to pack them by putting them in cardboard cartons?

"A. Yes."

You so testified. It is stipulated you so testified.

(Testimony of Jaisohn Hyun.)

The Court: All right. Here is the original of that, if you want to look at it. I am just putting that in front of the witness in case he wants to look at it.

Q. (By Mr. Lewis E. Lyon): Is there anything in these so-called invoices, Exhibits——

The Clerk: The invoices are AE-1 and AE-2.

Q. (By Mr. Lewis E. Lyon): ——AE-1 and AE-2, which shows on their face whether or not the cans were taped [401] together, as illustrated by Exhibit 13, or were held together by cartons as shown by Exhibit 53?

A. No, it doesn't say. However, it could not have been the cartons because we did not have them at that date.

Q. You had for many years in the past been putting out your products in cartons, both in vertical pairs and in horizontal pairs, as shown by Exhibits 2 and 4 to your deposition taken on November 10, 1955, had you not?      A. Yes.

Mr. Lewis E. Lyon: All right. Now, I will ask that these be marked as exhibits next in order, the exhibits I just referred to,—Exhibit 2 to the deposition of Mr. Hyun of November 10, 1955, as Exhibit——

The Clerk: That is, the horizontal dual pack is marked Plaintiffs' Exhibit 54, for identification. The vertical pack, which heretofore was marked as Exhibit 4 to the defendant's deposition, is now marked as Plaintiffs' Exhibit No. 55.

(Testimony of Jaisohn Hyun.)

(The items referred to were marked Plaintiffs' Exhibits 54 and 55, for identification.)

Q. (By Mr. Lewis E. Lyon): When did you discontinue packing two cans together, as shown in Exhibits 54 and 55?

A. Either this year or last year; in 1954 or 1955.

Q. So that throughout the period of time from 1949 to date you had cartons for putting two cans together both [402] horizontally and vertically for a combination sale, did you not? A. Yes.

Q. Now, is it true throughout these periods of time that you also had a sticker separate from the labels, which you pasted across the combination, to show a one cent sale?

A. Yes, we had been using stickers since the '30s.

Q. To show a one cent sale?

A. To show a special promotion, a coupon, or a sale, or whatever it might be; even to further describe the product.

Mr. Lewis E. Lyon: That is all at the present time, your Honor. I don't desire to take a lot more of the court's time in cross examination of this witness. I believe the rest of it is covered by the deposition, which at the *proper* I will offer. It is not proper at this time.

The Court: All right.

The Clerk: Mr. Lyon, do you want to offer these Exhibits 54 and 55 into evidence?

(Testimony of Jaisohn Hyun.)

Mr. Lewis E. Lyon: Yes, I will.

The Court: They may be received.

The Clerk: Plaintiffs' Exhibits 54 and 55 in evidence.

(The items heretofore marked Plaintiffs' Exhibits 54 and 55, were received in evidence.)

The Court: Any redirect? [403]

Mr. Harris: Just a couple of questions, your Honor, and I will finish with him very quickly.

#### Redirect Examination

Q. (By Mr. Harris): Mr. Hyun, referring to Exhibit 53, were these products included in that exhibit always sold together as a one cent deal?

A. No, without any demarcation, these would be two separate standard items.

Q. But when you sold them joined together by such a carton, were they always a one cent deal, so to speak? A. No, they weren't.

Q. That is my question. There is some confusion.

A. No, we had combination packages, one cent sale deals, combination deals, 2-in-1 combination deals. We have had all sorts of the combination of two or three items together.

Q. Were those sold—for example, Exhibit 54, was that product sold 3-in-1, for the price of just two plus one, or one plus two, or how was that sold? Was that a combination deal?

A. This is a combination deal which usually went on special.

Q. By that, what do you mean?

(Testimony of Jaisohn Hyun.)

A. At a special price. Of course, it was never as [404] economical as a one cent sale, but there was a slight reduction in the reflection of the retailer's cost for the second item.

Q. It was economical to whom?

A. First of all, to the grocer, and, secondly, to the consumer. Ultimately, we wanted to reach the consumer. In fact, there was no charge for the third item, which was a bottle of sauce, a bottle of soy sauce.

Q. What about Exhibit 55? Was that a one cent sale deal?

A. This was a combination. We called this a combination deal, combining the two units together in a package.

Q. But were they sold two units for the price of one, plus a cent?           A. No, they were not.

Q. What was the price differential on anything of that kind?

A. There, again, we always had a slight reduction on either one or the other time. Most generally, the second item. I refer to the second item as the chow mein noodles. It is the less expensive of the two items.

Q. How long have you been merchandising oriental foods in combination deals, as you have explained them?

A. Since about 1935. I can verify that.

The Court: All right.

Mr. Harris: I think the witness is verifying something, [405] if the court please.

(Testimony of Jaisohn Hyun.)

The Court: Oh, I didn't follow that.

The Witness: We have had combination deals since at least November of 1938 on a printed price list.

Q. (By Mr. Harris): As shown by what?

A. On a printed sales order pad, which prints "Combination Deal, 12—15½ meat chop suey; 12—3-ounce chow mein egg noodles." Then there is a special federal inspected combination deal in 1938.

Mr. Harris: That is all, if the court please.

Mr. Lewis E. Lyon: That is all at the present.

The Court: All right. Step down.

(Witness excused.)

Mr. Harris: The defendant rests.

Mr. Lewis E. Lyon: At this time, your Honor, I will offer in evidence the deposition of the witness, Jaisohn Hyun, taken on November 10, 1955, as the plaintiffs' exhibit next in order, which is No. 56.

The Court: It may be received.

The Clerk: 56 in evidence.

(The deposition referred to was marked Plaintiffs' Exhibit 56, and received in evidence.) [406]

\* \* \* \* \*

#### JAMES EDWARD BINGHAM

called as a witness on behalf of the plaintiffs in rebuttal, having been previously duly sworn, testified further as follows:



(Testimony of James Edward Bingham.)

Direct Examination

Q. (By Mr. Lewis E. Lyon): You have already been sworn, I believe. A. Yes, sir.

Q. I am placing before you Exhibits A, B, C, and D, and will ask you if you are familiar with the situs of these pictures. A. Yes, I am.

Q. Where were they taken?

A. They were taken in our plant in West Duluth.

Q. And you moved into that plant, I believe the testimony was, some time in the latter part of August, or the first part of September, 1951; is that correct? A. That's right. [408]

Q. Is there anything in these pictures, Exhibits A, B, C and D, which enables you to fix the date when the pictures were taken?

A. Yes, there is.

Q. What?

A. On the picture marked "B" there is one can that the code can be deciphered.

Q. And from that code you have determined that picture to have been taken when?

A. Early '52.

Q. Is there anything else in these pictures which enables you to determine when the pictures were taken?

A. Yes, there is a wall in photo "C."

Q. What wall is that?

A. That is a paneled wall that was installed in early 1952.

Q. You had that wall installed, did you?

(Testimony of James Edward Bingham.)

A. Yes, sir.

Q. Now, is there anything else in these photographs, Exhibits A, B, C and D, which enables you to determine the date when the pictures were taken?

A. Yes, sir. In photos "A" and "B," the power conveyor was installed at that time.

Q. When was that power conveyor installed?

A. Early '52. It could have been just the last month [409] of '51, or so, but I believe it was '52.

Q. How do you determine from the code mark on one of the cans the date?

A. Well, we have an embossing system, and we use letters and numbers. Every day the code is changed, so that we can tell from day to day when that can was packed.

Q. You say that is in one of these exhibits. Which one was that?      A. Exhibit B.

Q. That you were able to read the code number on some of the cans, or on one of the cans?

A. One of the cans.

Q. Which one is that?

A. One in particular. Let me see.

Q. Let the record show the witness is using a magnifying glass.

A. It is the case on the right hand of the first woman operator.

Q. You mean under the right hand?

A. That is right, under the right arm.

Q. And that code shows that can to have been packed on a particular day, does it?

(Testimony of James Edward Bingham.)

A. Yes.

Q. Or during a particular period of time?

A. Yes, sir. [410]

Q. And what was that particular period of time?

A. I can not distinguish the day, but the month is there, and the month is April.

Q. So the first April that you were in this new plant of the Chun King Company was when?

A. April of '52.

Q. With relation to the time of the canning, that is, of sealing the cans with the code mark on the can, when are the cans labeled and secured together by the taping operation?

A. Well, the cans could be labeled anywhere from the same day to two or three months later.

Q. So that this photograph could have been taken, in your estimation, at any time after April of 1952; is that correct?

A. That is right. [411]

\* \* \* \* \*

Q. (By Mr. Lewis E. Lyon): Mr. Bingham, I am placing before you Exhibits 21-A and 21-D, or, 21-D alone, and in that photograph I will call your attention to the roller which is marked roller "A" on Exhibit 21-C. Did you see that machine that is in that photograph?

A. Yes, I did.

Q. Did you have a chance to examine it thoroughly?

A. I examined it, yes.

Q. Here in the courtroom?

A. Yes, sir.

(Testimony of James Edward Bingham.)

Q. Did you ever see a machine before that with a roller like the roller "A" on it? [412]

A. No, sir, I did not.

Q. You endeavored to operate the machine here in court, did you?

A. No, sir, I did not operate it.

Q. You turned it over,—endeavored to turn it by hand?

A. That is right. [413]

\* \* \* \* \*

### JENO FRANCISCO PAULUCCI

called as a witness on behalf of the plaintiffs in rebuttal, having been previously duly sworn, testified further as follows:

The Clerk: Mr. Paulucci has already been sworn.

#### Direct Examination

Q. (By Mr. Lewis E. Lyon): Mr. Paulucci, you have already testified in this matter concerning the attempt of the Minnesota Mining & Manufacturing Company to produce a machine, and there has been certain evidence with respect thereto on the defendant's case. Do you know when all efforts were discontinued in your plant for the Minnesota Mining & Manufacturing Company to produce for you a practical workable machine?

A. Yes, approximately.

Q. Is that shown by any memorandum which you wrote?

A. Yes, I wrote a memorandum, an interoffice memorandum, a copy of which I sent to Mr. Cronin of Minnesota Mining.

(Testimony of Jeno Francisco Paulucci.)

Mr. Lewis E. Lyon: I will ask that this letter be marked.

The Clerk: Letter, dated March 27, 1952, from Mr. Paulucci to Mr. Bingham, is marked Plaintiffs' Exhibit 57, for identification. [416]

(The document referred to was marked Plaintiffs' Exhibit 57, for identification.)

Mr. Harris: May we see it, counsel?

(The document was handed to counsel.)

Q. (By Mr. Lewis E. Lyon): I place before you Exhibit 57, for identification, and ask you if you can identify the same? A. Yes, sir.

Q. What is this?

A. It is an interoffice memo to Jim Bingham and to Leslie Eskola of the firm. Shall I read it?

Q. No. Does it show that a copy was sent to anyone else?

A. Yes, sir, with a copy to Mr. G. C. Cronin of Minnesota Mining & Manufacturing Company.

Q. Was that interoffice communication and copy sent out by you upon the date it bears?

A. Yes, sir.

Q. In the ordinary course of your business?

A. Yes, sir.

Mr. Lewis E. Lyon: I will offer this paper, Exhibit 57, for identification, in evidence as Exhibit 57.

The Court: It may be received.

The Clerk: Plaintiffs' Exhibit 57 admitted in evidence.

Mr. Lewis E. Lyon: That is all. [417]

\* \* \* \* \*

The Court: Then I will hear any argument you desire to present.

The Clerk: Do you need any exhibits?

Mr. Lewis E. Lyon: Not immediately.

\* \* \* \* \*

Mr. Lewis E. Lyon: The issues of this case are clearly before the court, and they involve a question of infringement of claim 1, the method claim of the Paulucci patent No. 2,679,281 by the defendant Oriental Foods, particularly, in that machine produced for Oriental Foods and placed in operation by Minnesota Mining & Manufacturing Company, and which is used to tape [426] two cans together in end-to-end relation, and which clearly shows in its operation the method as defined in the method claim 1 of the Paulucci patent.

It was clearly demonstrated to the court that the method is a method of securing two cans together, the two cans having at their adjacent ends beads or flanges, as is true of the sample which I have in my hand, and which is Exhibit 25, wherein there are two flanges in the two alined cans, alined in end-to-end relation, and which are to be secured together at those beads or flanges. And the method which that machine employed is the method of stretching the tape over those beads by rotating the cans while there is a full tension applied to the tape in a direction substantially tangent to the cans at the point of application of the tape, so that the tape passes around the beads and against the side walls of the cans on opposite sides of the beads.

Now, the important factor in that is as illustrated in Figures 2 and 5 of the Paulucci patent, because Figure 5 illustrates the mere setting against those beads of a portion of the tape, and Figure 2 illustrates what happens when that tape is stretched to cause the tape to closely follow the contour of the beads, and to adhere to the side walls of the cans; and a point which perhaps needs illustration here is the fact, which is apparent from a comparison of Figures 2 and 5, and that is that the tape is stretched at one point, and [427] that is the central portion of the tape, where the tape has to be stretched so that it will pass around and lie closely against the contour of the beads of the can.

A sample of the tape so stretched will show, as the one which I have in my hand, that there is no stretching of the tape at its edges on the opposite sides of the beads, but that the tape is actually stretched so that it is permanently deformed in its central portion, so that it passes completely around the beads, allowing the tape at the sides to adhere to the sides of the can.

That is a very important factor, and is the factor of the invention in this case, and that is the applying of that quantum of tension to the tape as the cans are rolled, and in a direction of following the tangent at the point of application of the tape, so that that tape in that center portion is stretched and permanently deformed, so that it will adhere to the beads of the can, and do what the inventor, Mr. Paulucci, stated, in effect weld the two cans permanently together by that simple method.

Now, that the defendant in its operation actually employs that method is obvious. It is obvious from a consideration of the photographs of the machine, Exhibits 21-A to 21-G, inclusive, and is further evident from the charts, Exhibits 1 to 5—I mean, Figures 1 to 5, which are Exhibits X, X-1, X-2, X-3 and X-4 of the defendant's exhibits, because those [428] exhibits show, particularly as was admitted by the witness on the stand, in their latter Figures 4 and 5 that tension was applied in that direction stated, so as to actually stretch the tape to cause the same to adhere around the beads of the can and over the side walls precisely in the manner as defined in the patent in suit.

Now, the difference, if any, lies in the use in this machine, which was not true in any machine produced by Minnesota Mining & Manufacturing Company before, as is shown by the evidence, of the so-called pre-stripping roller. If we look at the photograph, Exhibit 21-C, particularly, we will see how exaggerated—and it is exaggerated, and not that I contend that it is not correctly so, for we often exaggerate in drawings for the purpose of making a clear illustration, as to the amount of so-called free loop, which is shown, for example, in Figures 1 and 2, Exhibits X and X-1. The purpose of that free loop is obvious.

The machine starts in high speed, so you put a little freedom on the tape, so that when the tape starts at its high speed there isn't a complete snap on the tape, which otherwise would break the tape. So you put a slight loop in it to let the machine



start and get in operation, and then the operation of rolling the cans against the tape, passing in that circuitous route, causes that tape to be stretched around the beads, and the stretch is in precisely the direction [429] specified in the patent in suit, and for the purpose of causing the cans to be welded together.

The machine was out of adjustment here in its operation in court, and, certainly, if it operated the way it did here in court, no one would ever complain about its being used. And its manner of operation is illustrated by Exhibit 22, which, incidentally, is a very interesting exhibit, because it also demonstrates the problem which existed in this art, and which was first solved by Paulucci, and is shown in the patent in suit, because it demonstrates precisely the difficulty that Mr. Paulucci testified that he had in trying to do this until he came upon this particular method of applying tension; and that is, it demonstrates the effort to secure two cans together where tension was not used sufficiently to perform the results of the Paulucci patent. And it demonstrates what has been referred to in this case, and talked of by many witnesses, as the curling of the tape on the sides of the two beads, and that curling or ruffling is interesting.

Why? Because it demonstrates the fact that because of the failure of the tape to be stretched and deformed at its center, there is a greater quantity of tape on the two sides of the bead that will permit that tape to lie down on the can's sides and

adhere to the can at that point. As testified to by the operating plant manager of the defendant's organization, [430] the taping operation of this sample which was endeavored to be run through the machine that was here in court, and as shown by Exhibit 22, was an unsatisfactory operation.

I do not desire at this time, your Honor, to burden this court with a discussion of the large group of prior patents which were offered by the defendant without explanation, and without having pointed out to this court in any way as to what the defendant considered to be its best reference, but I think that perhaps it would be better for me to refrain from discussing those patents at the present time, until I did know something of the defendant's position.

The Court: I think that, of course, is all right, and when it comes to testimony, I sometimes say to counsel, if you have an expert, for instance, not to touch on the prior art or the anticipatory art until counsel has commented. But in view of the fact that you have the opening and closing, it would call for a zigzagging of discussion, so if you will give me your reaction to the references, it would be better. I am not interested in any except those that are not before the Patent Office. I am satisfied that they reached the proper conclusion upon the prior art.

As you all know, gentlemen, I am a believer in the patent system, and you will find that when I have been reversed by the higher court in a patent case, it has always been because I have said that a thing

is valid, and they have said it was [431] not, indicating that I am willing to see invention in simple things, where they may be carried away by that very unfortunate phrase of Mr. Justice Douglas, that only a spark of genius is invention. If that is true, God help us, because then some of our most valuable inventions, including the zipper, would never have been sustained.

\* \* \* \* \*

I am making this statement so that you will understand that so far as I am concerned, while I am willing to correct an error, a palpable error, or a gross error of the Patent [432] Office, I am not going to re-argue whether they were right or wrong in claiming a distinction in the patent in suit from the references which are in the file wrapper. That does not mean to say that you cannot use the file wrapper.

Incidentally, the file wrapper was not introduced, was it? There was some reference to the file wrapper, but I don't remember that it was introduced.

The Clerk: It was introduced, your Honor.

The Court: I beg pardon?

The Court: The file wrapper was introduced as Exhibit E.

The Court: Was it?

Mr. Harris: Yes.

The Court: Then evidently that is something I slipped up on. I didn't remember it.

Mr. Lewis E. Lyon: It is in evidence, your Honor.

The Court: Evidently, I got interested in some-

thing else, because I did not look at it. But that is all right. I will study it further.

However, you cannot use the file wrapper to limit the scope of the invention. For instance, I have referred to the Joyce patent, in which the file wrapper was used very effectively to show that the claim was narrow, and that what Mr. Joyce was trying to do was to recapture something that was either abandoned or denied to him in the proceedings before the Patent Office. [433]

So, to get back to the proposition, you are entitled to the prima facie presumption that when they said that this is invention over Loskamp, Nichols, Glidden, Blum, Howard, Thomson, Kellgren, Swartz and Bergstein, you are entitled to the prima facie presumption that they were correct.

So for the present, at least, you may, if you want to, refer to them generally, but I am more interested in the five patents in the prior art, Ruttan, Nifong, Roehrl, Ewart and Johnson, which are offered as anticipatory, and which were not among the references given by the Patent Office.

Then, of course, you will have the reply, and we will see what counsel says, and I will tell you, when your turn comes, whether I desire any comment on the others.

Mr. Lewis E. Lyon: Your Honor, I am certainly in full accord with this court's position with respect to the patent law, and how that patent law should be construed, and as far as the flash of genius doctrine is concerned, unfortunately set forth in the Supreme Court's decision referred to, that is

a manner of approach to the question of patentability or invention that has been dealt out, in my opinion, in the patent law, in the 1953 Patent Act, where Congress wrote into the new law a statement that it is immaterial, in construing a patent, as to the method in which the invention was derived, and in session has particularly stated that they made that amendment to the patent law to set aside the doctrine of flash [434] of genius, announced by the Supreme Court in the case referred to.

I believe firmly in the patent system. I believe that our reason for advancement in this country, or one of the reasons, beyond that of other countries on the face of the earth, has been our willingness to give to those people who have spent their time to advance this country, the reward to which they are entitled.

In this case it is the plaintiffs' position that there existed no practical method of securing cans in end-to-end relation prior to Paulucci's invention, and, particularly, there was no practical or successful invention existing of securing cans together in end-to-end relation through the use of a plastic tape prior to Paulucci's invention. [435]

\* \* \* \* \*

Now, the machine that was offered here in court, and which does work,—at least, it works to produce the stretched tape operation, as the defendant is using it in the producing of its taped samples as shown by Exhibits 25, 9-A, 10-A, and so forth throughout this record, is not the machine of the Johnson patent.

It is not the machine of the Johnson patent because it was testified before this court by the witnesses testifying [436] with respect to the machine which they used, that they had to have, in order to have the machine work, this so-called pre-stripping roller, which is the roller shown in Exhibits X to X-4, inclusive, which pulls out this starting piece of tape, so that the machine will operate. The witnesses testified that that pre-stripping roller was necessary, a necessary part of the operation of that machine, and that the machine would not operate without it.

The Johnson patent does not have any such stripping roller in it, or pre-stripping roller in it. The Johnson patent further fails entirely, in that it does not have a means in that device, including a spring or spring operated clutch or ratchet mechanism for determining the amount of tension required in order to perform properly this taping operation. That that tension is an absolute essential to the successful carrying out of this operation could be no more firmly proven than by the fact and testimony of the witnesses here in court that the machine shown in the photographs Exhibits 21-A to -G, inclusive, did not work because it was out of adjustment when it was here in court. And how was it out of adjustment? It was out of adjustment in determining correctly the amount of tension required to be placed upon the tape in order to stretch the center portion of the tape so that it will pass around the beads, and it does not do that, as shown here in court, as shown in Exhibit 22.

But it does do it when it is [437] correctly adjusted, as shown by the other exhibits, where the operation is shown to have been successfully performed.

There could be no question but what a machine can be produced, and which will operate to unsuccessfully apply tape, and which does not infringe the Paulucci patent, because it does not perform the operation in accordance with claim 1 thereof, of putting that amount of tension thereon to stretch the tape around the beads.

Now, there is absolutely no suggestion in the Johnson patent, and in the entire specification, of any requirement for tension—not a word—and the Johnson patent that I am referring to and have been referring to here is the Johnson patent No. 2,652,166, which is Exhibit S. [438]

\* \* \* \* \*

The next patent of the five is the Nifong patent. That patent is Exhibit K. The Ruttan patent was Exhibit G. Again, there is not a thing in the Nifong patent, not a word throughout its entire description, of putting tension upon a pressure sensitive adhesive in a packaging operation in order to stretch a portion of that pressure sensitive adhesive tape to cause that tape to pass around an irregular contour, so that you will get, in effect, the welding set forth in the Paulucci patent, and as stated by Mr. Paulucci. It is absolutely silent upon any such method of operation. [439]

\* \* \* \* \*

There is no way of telling. In fact, you could not tell today from Exhibit 22 whether that Exhibit 22

would stay together in the market, or whether it would be subject to the objection, which the evidence shows, of coming apart, so that the salesmen, like of the plaintiffs', would have to go around with a pocketfull of tape to the stores and rehook the cans together. [442]

\* \* \* \* \*

We start out with the defendant manufacturing and selling a product, as shown by Exhibits 54 and 55, that is, products set up as combination [446] dinners in cartons, and that the plaintiff brought out and placed upon the market a one cent sale item as illustrated by Exhibit 11.

Now, it is not the plaintiff's position that the plaintiff has any exclusive right to a combination sale or to a one cent sale item. One cent sales have been going on as long as I can remember, and that is of selling two items for the price of one, plus one cent. That is not the position.

The defendant then brought out a one cent sale. I was wrong on Exhibit 11, because that is not the one cent sale can. I meant Exhibit 44 is the one cent sale item of the plaintiffs, and the one cent sale item of the defendant is illustrated by Exhibit 13.

Now, so far as those two items are concerned, I do not believe personally that there is any possibility of a normal prudent purchaser, exercising ordinary care, confusing one of those products for the other. And that is as far as Exhibits 13 and 44 are concerned. The business was carried on in that way. [447]

\* \* \* \* \*

Mr. Lewis E. Lyon: And my point is that no one



has a right to a particular color. That is the law. The proposition that I state here, however, is not that we have a proposition of a color, but we have a distinct copying of a color combination, or color combinations, for the purpose, and for one purpose only. I submit that if you were familiar with the purchasing of these three products of the plaintiffs, and you walked into a store and you saw these three other products on the stand, that even as a prudent purchaser you would be apt to pick up this product in mistake for that one.

In fact, I have had a hard time keeping them separated here.

The Court: While, of course, it is not necessary that actual confusion of source be shown, there is no evidence in the record of actual confusion of source.

Mr. Lewis E. Lyon: No, your Honor, and it is not necessary, according to the cases. [451]

\* \* \* \* \*

Mr. Harris: As to apparatus claims 2 and 3, the plaintiffs have conceded that they are not infringed. Therefore, the issue of infringement is not before the court.

The Court: Are you talking about——

Mr. Harris: I am talking about apparatus claims 2 and 3, your Honor. The only issue as to those claims is as to their validity. And just to complete——

The Court: I don't see how claims 2 and 3 are before the court at all, if they are not urging their infringement. You are not entitled to a declaration of infringement unless you admit that you are following it. In other words, when, because of your sug-

gestion in your memorandum, I asked the plaintiffs to limit themselves to claim 1, then you cannot broaden it by keeping claims 2 and 3 in the case, because you are not entitled to a declaration where they are not claiming it. There must be a claim. If they are not claiming that you are infringing, you are not entitled to bring them into court and have them litigate with you an abstract proposition.

Mr. Harris: Of course, your Honor, we filed a counterclaim for a declaratory judgment. [467]

The Court: I know, but that does not make any difference. You remember, it took us a long time to get the Supreme Court to even concede that you could determine validity, even though you found non-infringement.

The Supreme Court finally said we could do it. In fact, the Supreme Court has said specifically that a declaratory judgment has not broadened jurisdiction, and when they bring into court one claim, you cannot say, "All right, you brought in one claim, I will bring in Claim 2," unless you charge yourself with infringement. You remember, in one of the earliest cases in which I wrote an opinion many years ago, the Ballard case, I pointed to the fact that a person cannot have a declaration of invalidity unless he charges himself with some act of infringement. Otherwise the matter is not before the court.

Mr. Harris: Well, we certainly do not charge ourselves with any infringement.

The Court: All right. Then you have no right to bring that in. Then you should have insisted—I will not say you should have insisted, because I would

have asked that question anyway, because I know of those cases, but you cannot by a counter-claim ask me to determine an abstract proposition. There must be a dispute. I have written probably more on declaratory judgment than anyone in this community, anyway. Long before it was put into the federal system, I advocated [468] it and wrote on it, when it was a part of California law, and later on, after it was put into the system, at the request of Presiding Judge Wilbur, I gave a lecture on declaratory judgment. I wrote several opinions which were commented on by the late Professor Borchard in his book, and the sine qua non of the right of a court to make a declaration is there must be a dispute between the parties.

Now, if they are not charging you with infringing claims 2 and 3, there can be no dispute, and I cannot take any jurisdiction under the counter-claim because the counter-claim does not arise out of any transaction. They have limited themselves to claim 1, so this lawsuit must be determined on that basis.

You could not bring an individual action just to declare those two invalid unless they charged you with infringement. They are not charging you with infringement.

Mr. Harris: They have in the past, your Honor.

The Court: That does not make any difference.

\* \* \* \* \*

The Court: Let me ask you one question: You made a remark to the effect that there is no stretching of the tape [469] either before or after.

As I read the claim, and I have marked it up the

way you did, and I have split it into the four elements, and marked them 1, 2, 3 and 4,—the first one is alinement. The point you have referred to is that it is not a part of your method or process. I like your word “method” better than “process”, because “process” is used more in a chemical sense, in combining things.

The second element is stretching.

The third element is not stretching, it is pulling.

Mr. Harris: It is pulling to put the tape in a stretched condition. It is pulling to stretch. It says so.

The Court: No, it says, “pulling on the portion of said tape not secured to said can in a direction substantially tangential to the periphery of the cans to place same in a stretched condition.”

Mr. Harris: That is my point. It is a stretched condition. The third point is stretching also, to pull the tape to a point where it stretches. Then the last element, of course, is rotating while the tape is so stretched.

The Court: Well, your operation includes alinement of the cans. Otherwise, you could not tape them.

Mr. Harris: Certainly, we aline the cans.

The Court: It includes rotation.

Mr. Harris: It includes rotation. [470]

The Court: You rotate them, because otherwise you would not get the benefit of the machine operation. You would have like a mechanical operation, where you would be turning and covering at the same time.

Mr. Harris: That is right, your Honor. We do that.

The Court: I am trying to understand your contentions.

Mr. Harris: Yes, your Honor.

The Court: So the only elements you claim are not in your operations are 3 and 4; is that it?

Mr. Harris: 3 and 4.

The Court: Or 2 and 3?

Mr. Harris: 2 and 3, your Honor, yes.

The Court: 2 and 3, the stretching and the pulling.

Mr. Harris: Of course, even in element 4, we say that there is no evidence that we rotate the cans while the tape is stretched. In our machine these buffing rollers press the tape down onto the cans. So even in element 4 we don't practice the method of the patent in suit.

The Court: All right. [471]

\* \* \* \* \*

Mr. Harris: Now, going back to the matter of claim 1 of the patent in suit, we suggest, if the court please, that this claim is purely invalid for several reasons. As has been indicated, both the plaintiffs and the defendant were hand taping cans as early as 1949, which is almost three years prior to the filing of the application for this patent in suit.

The evidence shows that in that hand operation by both the plaintiffs and the defendant, they put the tape on the cans, they pulled the tape tight, and rotated the cans, holding the tape under tension to make the tape go on there tight. Both the plaintiffs and the defendant did that. [472]

The only difference that Mr. Paulucci could point out between what he had been doing prior to August 1951, and what he did subsequent to that date, that being the date when he says he invented this method, was that after August of 1951 they used more tension in applying the tape to the cans.

The Court: It is a principle of patent law that the substitution of a mechanical action to a manual operation is permissible, and does not fall within the doctrine of equivalence.

Mr. Harris: That is true, your Honor, but my point is this: My point is that the only difference between what Mr. Paulucci was doing before he made the alleged invention and after the invention was that he was pulling the tape tighter.

The Court: But that little difference may spell invention.

Mr. Lewis E. Lyon: Right. [473]

\* \* \* \* \*

Mr. Harris: My point here, if the court please, was simply that claim 1 is invalid because if this matter of tension is important, as the plaintiff says it is, then the claim fails to say how much tension. There is no statement as to how much tension must be applied to accomplish the desired results. That was the point there.

Then in going on to this matter of tension, further, I call the court's attention to the Nifong patent, No. 2,120,504, which is Defendant's Exhibit K, which is very pertinent to this inquiry we have here.

This Nifong patent covers a can banding machine,

as the [477] witnesses have called the machine of this type involved here, a machine for applying resilient cellophane, sticky cellophane tape to cans, and it has these elements, this machine:

First of all, as shown in the drawings, it applies to tobacco cans, as shown in Figure 11 of the patent.

The Court: It is quite an elaborate piece of machinery, the Nifong patent.

Mr. Harris: It is an elaborate piece of machinery, but the essence of it is very simple, your Honor, and I would like to speak briefly to it, because it is of importance here.

The Court: What figure are you referring to? There are so many in that patent.

Mr. Harris: Figure 11. Take sheet 6 of the drawings of the patent, if the court please.

The Court: Yes, it is a very elaborate patent.

Mr. Harris: There in Figure 11 on sheet 6 your Honor will see the tobacco cans at the bottom dotted in. The patent also says, of course, that we may use this machine to tape round cans instead of odd shaped cans like shown here.

Then in the upper figure, Figure 10, it shows the line of tape going around the tortuous path around these rollers, and finally being made into a loop around the cans. But the point is that this patent was a machine whereby the can is supported on its end, the tape was tacked down on the can automatically, then the can was rotated to pull the tape out [478] and apply it to the can. And the patent teaches very clearly the importance of applying

tension to that tape while you are taping the can to make it go on right.

That is referred to in several places in the patent. I would like to read, in particular, from page 6, column 2, lines 26 to 30, where the patent says:

“Particular attention is called to the fact that the tape 87 having the adhesive thereon is held taut at a substantially uniform tension during the entire revolution of the can, and this aids materially in the proper application of the tape.”

It puts the tape under tension, and a special mechanism is provided for in the patent to cover that. In fact, claim 51 of the patent, the Nifong patent, states in its last element, “effecting a retarding paying out action of the strip”—that is the tape—“during the winding action for placing the strip” or tape “under tension, and severing the strip.”

In other words, this Nifong patent teaches that if you want to tape a can, you apply the tape to the can, you rotate the can with the tape under tension, and that applies the tape to the can. And the intention and motive is implicit in this patent, and its whole disclosure and claims teach that.

The Court: But Nifong is a very elaborate patent, which covers the machine to achieve the results, as well as the [479] method.

Mr. Harris: The claims cover the method as well, your Honor.

The Court: Yes, I know, but it is an elaborate machine.

Of course, it is very easy at times, especially in



a combination patent—and we are dealing with a method patent—to find scattered somewhere here and there some of the elements. In fact, this is so common that we have a name for it now, a mosaic defense. In fact, I amused myself once in one of my opinions by trying to find who first used it. I had to go back early to somebody back in 12 Federal, who first used the expression. You can take several elements in a combination, and by taking them separately you can find that each of them may have been used somewhere else. The question ultimately, when you are dealing with a combination, is not whether each of them—I think I said that myself in one of the last opinions I wrote—it isn't so much a question of whether each of them separately can be found somewhere else. The question is whether anyone before had combined them in this manner, so that they achieve a result not achieved before.

Mr. Harris: Exactly, your Honor, and I would be the first to concede that this Nifong patent does not teach step 2 of the patent in suit, which is pre-stretching the tape before it is applied to the can.

However, if the plaintiff tries to expand claim 1 of the patent in suit to cover any taping by which he taped two cans together, by just putting tape on the cans, then this Nifong patent covers that exactly.

The Court: Of course, what he is claiming is the method described in that patent, and the four elements of it in combination. He is not waiving any, and he is not claiming that your process or

your method eliminates any of them, because there has been no statement about equivalence, because, if he were, he would have to argue that you have substituted something else that takes the place of what you dropped. He is claiming your process is identical because it involves the same elements.

Mr. Harris: And my point has been, of course, your Honor, that there is no proof that our apparatus, the method we use, does include those elements. But may I go on? [481]

\* \* \* \* \*

Mr. Harris: Yes, your Honor. My next point as to the patent issues is that we suggest, if the court please, that claim 1, the method claim, is clearly invalid in view of this Johnson patent, which is Defendant's Exhibit S.

The witness Peterson, on cross examination by Mr. Lyon, [483] pointed out the complete identity between this Johnson patent and the mechanism that was set up at Chun King, and also the identity of this Johnson patent with the machine here in suit. The witness Johnson further showed the identity of the construction and operation of this Johnson patent, Exhibit S, to the construction and operation of the very machine that the defendant is using, and the similarities between the construction shown in this patent and its method of operation and that of the defendant's machine must be self-evident to the court, because you could almost take these drawings and lay them on the defendant's machine.

This has all the elements in the defendant's ma-

chine, and, in that connection, I point out that in Figure 7 of this Johnson patent it shows an idler roller, No. 122, which has just the same function as the idler roller in the defendant's machine, that is, the pre-stripping roller of the defendant's machine in which the tape is stripped off the reel or the roll first.

It also in that same figure has this ratchet, which is numbered 121, which is the full equivalent in every way of the ratchet and clutch in the defendant's machine.

This patent shows the very mechanism, as the court will remember, the very mechanism that was used in the original design in 1950 in the first prototype machine that was sent up to the Chun King Sales Company by the Minnesota Mining & [484] Manufacturing Company of Minneapolis, Minnesota.

At any rate, the testimony and the evidence shows that this patent shows substantially the same construction, and the same method of operation as that of the defendant's machine.

Now, either we say this patent invalidates the patent in suit, or the patent in suit is not infringed by the defendant's machine.

Things that are equal to the same thing are equal to each other. And if this is equal to the defendant's machine, and if the defendant's machine infringes the patent in suit, then this particular patent anticipates the patent in suit.

The Court: I cannot conceive that the Patent Office did not have cognizance of that patent, be-

cause they were pending at or about the same time.

Mr. Lewis E. Lyon: They were.

Mr. Harris: This patent was not cited in connection with it.

The Court: I know it wasn't cited, but they were pending. In the Paulucci patent, the application was filed May 14, 1952, and was granted May 25, 1954, which is about par on the course,—two years. The Johnson patent was filed May 29, 1950, and granted on September 15, 1953, so they overlapped each other there. For at least one year they were both pending.

Mr. Harris: We suggest, if the court please, that this [485] patent and the Nifong patent, being very close to the patent in suit,—

The Court: Coming close does not solve the problem, if there is a little bit of difference.

Mr. Harris: There is a little difference, your Honor, and I suggest to the court that in the Johnson patent, as in the defendant's machine, there is no preliminary stretching of the tape before it is applied to the cans.

The Court: On the Johnson patent the emphasis is on the pivoted arm.

Mr. Harris: Yes. In the Johnson patent there is no preliminary stretching of the tape, just as in the defendant's machine there is no preliminary stretching of the tape, which is element 2 of the patent in suit.

We say either we do not infringe the patent, or the patent is invalid in view of the Johnson

patent. That is the long and short of our argument on the Johnson patent.

The Court: All right. [486]

\* \* \* \* \*

Mr. Lewis E. Lyon: Getting on to one other point, and I think that there is very little I need to touch upon that, and that is the question of the Nifong patent and the Johnson patent. As to the Johnson patent, if it was ever proved that the Minnesota Mining & Manufacturing Company did not have a [503] machine that would meet this problem, it is found in the letters and correspondence between the Minnesota Mining & Manufacturing Company and Chun King, and the Minnesota Mining & Manufacturing Company is the assignee of the Johnson patent in question.

Further than that, there is absolutely no mention in the Johnson patent of stretching the tape around the bead of a can, or of stretching it or of taking that degree of tension that is required to produce this new result testified to by Mr. Paulucci of actually welding the cans together. \* \* \* \* \* [504]

[Endorsed]: Filed April 18, 1956.

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[Endorsed]: No. 15104. United States Court of Appeals for the Ninth Circuit. Oriental Foods, Inc., a corporation, Appellant, vs. Chun King Sales, Inc., and Jeno F. Paulucci, Appellees. Chun King Sales, Inc., and Jeno F. Paulucci, Appellants, vs. Oriental Foods, Inc., a corporation, Appellee. Transcript of Record. Appeals from the United States District

Court for the Southern District of California, Central Division.

Filed: April 19, 1956.

/s/ PAUL P. O'BRIEN

Clerk of the United States Court of Appeals for the Ninth Circuit.

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United States Court of Appeals  
For the Ninth Circuit

No. 15104

CHUN KING SALES, INC., and JENO F.  
PAULUCCI,

Appellants,

vs.

ORIENTAL FOODS, INC., Appellee.

CONCISE STATEMENT OF POINTS UPON  
WHICH PLAINTIFFS-APPELLANTS IN-  
TEND TO RELY UPON APPEAL AND  
ASSIGNMENT OF ERRORS

1.

The judgment of the District Court errs in adjudging that defendant has not competed unfairly with plaintiffs. (Paragraph 4 of the Judgment.)

2.

The District Court erred in holding that prospective purchasers of defendant's merchandise are not likely to be confused with the products of plaintiffs because of the similarity in dress, label, color and

appearance of the defendant's product brought out in, after and in imitation of plaintiffs' products. (Finding of Fact 26).

3.

The District Court erred in holding that the labels of the defendant do not simulate in lettering, form, colors, picture, script and combination of words, the labels of plaintiffs. (Finding of Fact 28).

4.

The District Court erred in holding that by comparison of the "tout ensemble" the labels of the defendant are not confusingly similar to the labels of the plaintiffs. (Finding of Fact 29).

5.

The District Court erred in failing to give to plaintiffs relief for unfair competition, particularly in view of the Finding of the District Court that a casual buyer not buying by brand name would pick up one can for another. (Finding of Fact 30).

6.

The District Court erred in finding that a buyer who looked for Chun King brand cans would not be likely to pick up Jan-U-Wine brand cans. (Finding of Fact 31).

7.

The District Court erred in its Conclusion of Law that the defendant has not competed unfairly with plaintiffs and in its Conclusion of Law that the plaintiffs recover nothing by virtue of their second cause

of action for unfair competition. Conclusions of Law V. and VI.)

## 8.

The District Court erred in disregarding the indiscriminating prospective purchaser and in judging the plaintiffs' cause of action solely upon the basis of a comparison of the brand names without regard to the make up and combination of figures, script and coloring of the labels of plaintiffs and defendant.

## 9.

The District Court in its Memorandum in this action erred completely in holding that the law protects the defendant in the matter of its unfair competition because, broadly the defendant was the first on the market in the sale of Chinese-American type foods without regard to the showing that the defendant by plan followed precisely the change and changing of labels of the plaintiffs and brought out labels for its cans in precise duplication of the labels of plaintiffs, one following the other.

Dated: April 13, 1956.

LYON & LYON

/s/ By ROBERT DOUGLAS LYON

Attorneys for Plaintiffs-  
Appellants

Affidavit of Service by Mail Attached.

[Endorsed]: Filed April 16, 1956. Paul P. O'Brien, Clerk.



[Title of Court of Appeals and Cause.]

STATEMENT OF POINTS ON APPEAL UNDER RULE 17(6) BY APPELLANT ORIENTAL FOODS, INC.

Defendant-appellant Oriental Foods, Inc., in accordance with Rule 17(6) of this Court, hereby provides its statement of points upon which it intends to rely on its appeal in the above-entitled action, as follows:

1.

Claim 1 of Paulucci patent No. 2,679,281 in suit is not infringed by defendant's method of joining together cans in end-to-end relationship.

2.

Said claim 1 is limited to a specific method, involving a series of steps, in a stated sequence, which includes the step of "stretching a portion of a slightly resilient sticky tape and applying said portion of said tape over portions of the abutting beads and adjacent side walls of said cans while said tape is in stretched condition to secure said cans together," followed by pulling on the end of the tape and rotating the cans, to tape the cans together.

3.

The method used by defendant, and held to constitute infringement of said claim 1, does not involve the step of said claim 1 above quoted.

## 4.

The record is devoid of any showing that the method claimed in said claim 1 has ever been used in the commercial practice of joining two cans together, even by the plaintiff in its own operations.

## 5.

The file history of Paulucci patent No. 2,679,281 shows an attempt by Paulucci to obtain allowance of a claim free from the limitation of the step above quoted, and the refusal by the Patent Office to allow such a claim. For this and other reasons, plaintiffs are estopped from receiving the benefit of any interpretation of said claim 1 which ignores the limitation of the above quoted step.

## 6.

More than one year prior to the date of filing of the application for patent No. 2,679,281 the plaintiff Chun King Sales, Inc. utilized in its commercial operations a method which completely anticipates the method claimed in said claim 1, if the above quoted step is ignored, and sold in the open market cans fastened together in end-to-end relationship by the utilization of said method. The use of a method in packaging goods for commercial sale more than one year prior to the filing date of a patent application stands as a one year public use bar thereagainst, as a matter of law.

## 7.

Any interpretation of said claim 1 which would

support a holding of infringement by defendant's use of its method would make the claim invalid by reason of a prior public use bar. It would make said claim directly readable upon the commercial practice of plaintiff Chun King Sales, Inc. and others more than a year before the Paulucci application was filed.

8.

The patentee Paulucci never made oath to being the first inventor of any method of taping together two cans in end-to-end relationship which did not include the limitation of claim 1 hereinabove quoted.

9.

Any interpretation of said claim which eliminates the limitation of the step above quoted renders said claim invalid by reason of anticipation by the prior art patents of record and for lack of invention.

10.

The taping together of cans in end-to-end relationship with the Dellenbarger machine, as employed by the defendant, does not constitute an infringement of claim 1 of patent No. 2,679,281, in suit.

11.

Claim 1 of the patent in suit lacks invention and is invalid over prior patents, prior publications and prior public use. The Patent Office was never advised about the prior public use.

12.

The District Court erred in failing and refusing

to make appropriate findings of fact, conclusions of law, and to render judgment as to the invalidity and lack of infringement of claims 2 and 3 of patent No. 2,679,281. A ruling thereon was required by the defendant's counterclaim.

13

The District Court erred in failing to hold claims 2 and 3 invalid by reason of prior art and prior public use, prior to Paulucci's alleged date of invention or more than one year before his filing date, or both.

14.

Defendant was entitled to judgment on its counterclaim.

15.

The District Court erred:

(a) in holding claim 1 of the patent in suit valid and infringed;

(b) in not holding such claim and each of the claims of the patent in suit invalid and not infringed;

(c) in not dismissing the complaint for want of equity, with costs to defendant;

(d) in signing and entering the Findings of Fact and Conclusions of Law herein; and the subsequent entry of an interlocutory decree in favor of the plaintiffs, holding claim 1 of the patent in suit valid and infringed and ordering an injunction and accounting;

(e) in dismissing defendant's counterclaim; and

(f) in awarding costs to plaintiffs.

16.

The District Court erred in the specific factual findings set forth in Findings of Fact 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, and 25.

17.

The District Court erred in failing and refusing to find and adjudge that defendant has not infringed claims 2 and 3 of patent No. 2,679,281 in suit.

18.

The District Court erred in failing and refusing to find and adjudge that claims 2 and 3 of patent No. 2,679,281 in suit are invalid.

19.

The District Court erred in failing and refusing to find and adjudge that the hand-taping operations of the defendant do not infringe claim 1 of patent No. 2,679,281 in suit.

Dated: May 8, 1956.

HARRIS, KIECH, FOSTER  
& HARRIS,  
FORD HARRIS, JR.,  
WALTON EUGENE TINSLEY,

/s/ By FORD HARRIS, JR.,  
Attorneys for Appellant,  
Oriental Foods, Inc.

Affidavit of Service by Mail Attached.

[Endorsed]: Filed May 9, 1956. Paul P. O'Brien,  
Clerk.



No. 15104

IN THE

# United States Court of Appeals

FOR THE NINTH CIRCUIT

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ORIENTAL FOODS, INC., a corporation,

*Appellant,*

*vs.*

CHUN KING SALES, INC., and JENO F. PAULUCCI,

*Appellees.*

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CHUN KING SALES, INC., and JENO F. PAULUCCI,

*Appellants,*

*vs.*

ORIENTAL FOODS, INC., a corporation,

*Appellee.*

---

Opening Brief of Plaintiffs-Appellees-Appellants.

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DEC 24 1956

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ORIENTAL FOODS, INC., a corporation,

*Appellee.*

---

**Opening Brief of Plaintiffs-Appellees-Appellants.**

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**I.**

**Statement of Jurisdiction.**

This appeal is from the judgment of the District Court holding claim 1 of United States Letters Patent 2,679,281 valid and infringed and dismissing a claim for unfair competition. All parties have appealed.

The action was tried before the District Court upon the issues formed by the Complaint [R. 3], answer and counterclaim [R. 12] and the answer to the counterclaim [R. 23].

The jurisdiction of the District Court is based upon the patent laws Title 28, Section 1338, U. S. C., and upon diversity of citizenship Title 28, Section 1332, U. S. C.

This Court has jurisdiction of the Appeal and the Appeals were timely (Tit. 28, Secs. 1291 and 1292 (4), U. S. C.).

This brief on behalf of Chun King Sales Inc. and Jeno F. Paulucci, will deal with the appeal taken by these parties from the adverse portion of the judgment on the claim for unfair competition.

The District Court at the conclusion of the trial, briefing and oral arguments expressed its opinion by a written memorandum filed December 13, 1955 [R. 67]. Pursuant to said Memorandum, Findings of Fact, Conclusions of Law and Judgment [R. 82] were prepared and same were filed, docketed and entered January 11, 1956. A Motion to Amend Findings of Facts under Rule 52(b) F. R. C. P. was filed January 20, 1956 [R. 91], which Motion was denied by a Minute Order dated February 13, 1956 [R. 97].

A Notice of Appeal [R. 98] was filed by defendant February 24, 1956, and an amended Notice of Appeal [R. 103] was filed by defendant on March 6, 1956. A Notice of Appeal [R. 104] was filed by plaintiffs on March 6, 1956, and this present Brief is concerned with the issues raised by the latter Notice of Appeal.

## II.

### Statement of the Case.

This action was commenced by plaintiffs Chun King Sales, Inc., and Jeno F. Paulucci, filing their Complaint [R. 3] against defendant Oriental Foods, Inc.\*

By the Complaint Chun King sought relief from Oriental's infringement of its patent and also from Oriental's unfair competition.

During the trial Chun King established, as will be more completely developed hereafter, that it had evolved, after a series of changes, distinctive labels for its products which had gained wide recognition and praise in the industry [Exs. 5, 5A, R. 129-134].

Chun King also established that although Oriental had been in the same business for many years prior to Chun King, Oriental discarded its labels and began to systematically copy Chun King's labels, advertising and promotional plans, and its cartons. Each time Chun King made a change in its labels, Oriental made a similar change with the ultimate result that the labels of the two parties are so strikingly similar in color, style, arrangement of descriptive matter, and vignettes that one may be readily confused with the other.

The similarity of appearance of Chun King's and Oriental's products is so striking that it is readily apparent that Oriental has carefully followed each change made by

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\*In this Brief, where reference is made to the parties, unless otherwise specifically noted reference to the appellees-appellants Chun King Sales, Inc., and Jeno F. Paulucci, will be by the single reference Chun King. Reference to the appellant-appellee Oriental Foods, Inc., will be merely Oriental.

Chun King in order to promote confusion in the minds of the purchasing public, permit passing off of their products as those of Chun King and trading on the good will of Chun King.

### III.

#### Specifications of Error.

##### 1.

The judgment of the District Court errs in adjudging that defendant has not competed unfairly with plaintiffs (Par. 4 of the Judgment).

##### 2.

The judgment of the District Court errs in adjudging that plaintiffs recover nothing by the second cause of action for unfair competition (Par. 6 of the Judgment).

##### 3.

The District Court erred in holding that prospective purchasers of defendant's merchandise are not likely to be confused with the products of plaintiffs because of the similarity in dress, label, color and appearance of the defendant's product brought out in, after and in imitation of plaintiffs' products [Finding of Fact 26].

##### 4.

The District Court erred in holding that the labels of the defendant do not simulate in lettering, form, colors, picture, script and combination of words, the labels of plaintiffs [Finding of Fact 28].

##### 5.

The District Court erred in holding that by comparison of the "tout ensemble" the labels of the defendant are not confusingly similar to the labels of the plaintiffs [Finding of Fact 29].

6.

The District Court erred in failing to give to plaintiffs relief for unfair competition, particularly in view of the Finding of the District Court that a casual buyer not buying by brand name would pick up one can for another [Finding of Fact 30].

7.

The District Court erred in finding that a buyer who looked for Chun King brand cans would not be likely to pick up Jan-U-Wine brand cans [Finding of Fact 31].

8.

The District Court erred in its Conclusion of Law that the defendant has not competed unfairly with plaintiffs and in its Conclusion of Law that the plaintiffs recover nothing by virtue of their second cause of action for unfair competition [Concl. of Law V and VI].

9.

The District Court erred in disregarding the indiscriminating prospective purchaser and in judging the plaintiffs' cause of action solely upon the basis of a comparison of the brand names without regard to the makeup and combination of figures, script and coloring of the labels of plaintiffs and defendant.

10.

The District Court in its Memorandum in this action erred completely in holding that the law protects the defendant in the matter of its unfair competition because, broadly the defendant was the first on the market in the sale of Chinese-American type foods without regard to the showing that the defendant by plan followed precisely the change and changing of labels of the plaintiffs and brought out labels for its cans in precise duplication of the labels of plaintiffs, one following the other.

#### IV.

#### Argument.

##### A. Chronological Summary of Chun King's Business.

Chun King Sales, Inc., was organized in May of 1947 [R. 116] with Jenó F. Paulucci as its president [R. 116] to engage in the processing, packing and selling of Oriental-American foods [R. 116] by way of example, chicken chow mein, mushroom chow mein and beef chop suey [R. 117] to enumerate a few.

Upon the commencement of the business Chun King designed and adopted labels for its products exemplified by Exhibits 18, 19, 20, 27, 28 and 44. Among the early promotional and advertising schemes Chun King initiated a combination of 2-in-1 sale in 1949 [Exs. 18, 19 and 20, R. 124] taped or otherwise secured together. Subsequently, a one-cent sale was utilized in 1953 [Exs. 27, 28 and 44, R. 180]. Chun King brought out its new three-pound cans [Exs. 6, 7 and 8, R. 134, 135]. Chun King brought out its divider pack in June, 1954 [Exs. 3, 9 and 10, R. 117]. A new label was utilized as exemplified by exhibits 16 and 17 in 1955 [R. 142]. In 1954 Chun King adopted the distinctively styled cartons [Exs. 49, 50 and 51] for its so-called divider pack of exhibits 3, 9 and 10.

##### B. Chronological Summary of Oriental's Business.

Oriental Foods, Inc., was organized in 1928 [R. 241] with Peter S. Hyun, Sr., as its president [R. 241] to engage in the business of canning Chinese food [R. 240]. A label was adopted for the products of this organization as exemplified by Exhibits 36, 37, 38, 39, 40 and 43, sometime in the 1930s [R. 248-250], which was used until 1950 [R. 248] or until 1952-53 on some products [R. 253].



Between 1947 to 1949 a change was made in labels of the type of Exhibit 42 [R. 254] by making the color of the semi-circular panel and the side panels [R. 254, 255] a different color for each product. This type of label was used for a year or two [R. 255]. A change exemplified by Exhibits 41B, 41C, 41D and 41E, was then adopted for the products so labeled [R. 262]. In 1950 a further change was made adding a vignette of the product to the label as in Exhibit 41A [R. 256], commencing May 2, 1950 [R. 257], which was used until the middle of 1953 [R. 262].

In October of 1953 Oriental brought out their version of a three-pound can with a new label, Exhibits 6A, 7A and 8A [R. 263]. In October of 1954 the triple-pack of Exhibits 24, 25 and 26 was sold [R. 263, 264]. Still a further change in Oriental's labels was made in the three-pound can exemplified by Exhibit 41F [R. 264-266], first used March 7, 1955. The labels of Exhibits 3A, 9A and 10A for Oriental's divider pack were then adopted in October of 1955. Oriental, on or after June 29, 1956, commenced use of its packing cartons, Exhibits 45, 34, 46, 47 [R. 268-271].

Jaisohn Hyun, executive vice-president and general manager of Oriental, admitted that he had been familiar with the Chun King pack and labels of Exhibits 3, 9 and 10 about a year and a half before Oriental brought out its corresponding labels, Exhibits 3A, 9A and 10A [R. 266, 267]. Jaisohn Hyun also testified that he was familiar with the Chun King packs and labels of Exhibits 6, 7 and 8 for six months before Oriental brought out its corresponding labels of Exhibits 6A, 7A and 8A.

### C. Similarity of Labels.

The court is respectfully requested to compare the labels of Chun King and Oriental. The striking dissimilarity between the original labels of both parties such as Exhibits 18, 19, 20 and 42 and 43 is to be noted. As Chun King began to grow and its products were accepted and its business expanded Oriental began to change its labels and promotions to parallel Chun King. This change in labels of Oriental marked an abandonment of over twenty years of marketing Oriental's products under the same label and can be explained only as part of a plan to copy Chun King's packs and labels. Oriental willingly abandoned the good will accumulated through twenty years of use of the same labels in order to simulate the labels of its new, vigorous and rapidly expanding competitor to promote confusion in the trade.

Chun King brought out its three-pound cans, Exhibits 6, 7 and 8. Oriental countered by bringing out a new three-pound can, Exhibits 6A, 7A and 8A with labels of striking similarity. Thus each chicken chow mein has a yellow background, a similarly disposed vignette and descriptive matter, each beef product and meatless product are equally similar. Oriental admits familiarity with Chun King's labels, Exhibits 6, 7 and 8, six months prior to the adoption of Exhibits 6A, 7A and 8A [R. 267]. A more careful copying of labels is hard to visualize, obviously resorted to in order to promote confusion in the trade. When these items are placed side by side on a grocery shelf, confusion inevitably results.

The court is respectfully requested to compare Exhibits 3, 9 and 10, Chun King's divider pack labels with Exhibits 3A, 9A and 10A, Oriental's divider pack. Attention is

drawn to the admission that Oriental was familiar with Chun King's pack and label a year and a half prior to its adoption of this new style of pack and label [R. 266, 267].

With respect to these exhibits attention is directed to the same color background for the same products, hardly a coincidence. The vignettes and disposition of descriptive and explanatory matter is identical. When Chun King adopts the small figures on the label suggesting various uses for its products, Oriental also copies this feature.

Subsequently Chun King used a distinctive carton for its products, Exhibits 49, 50 and 51 each bearing the same color identification thereon as the background color of the cans, Exhibits 3, 10 and 9, contained therein. Immediately thereafter Oriental adopts almost identical cartons, Exhibits 34, 45 and 46, using the same color identification code.

Thus, the record develops a situation wherein a new and vigorous concern enters the field of processing and selling Oriental-American foods. Its growth is rapid. Oriental watches the growth of Chun King's business and drops its old advertising, packing and labeling methods. Oriental then duplicates each new product of Chun King, the three-pound and divider packs and copies Chun King's labels and Chun King's cartons almost identically in an effort to promote confusion in the trade and to trade on the good will of Chun King.

This plan of copying the packaging and labels of Chun King by Oriental inevitably results in confusion in the trade.

D. The Error of the Court in Failing to Find  
Unfair Competition.

The trial court in its opinion dated December 13, 1955, determined that in deciding whether or not unfair competition existed, it would disregard the indiscriminating prospective purchaser and confine its inquiry to those individuals who are guided by the effect upon the person who looks for brand names [R. 72]. This is error. The court ignores completely those persons who are familiar with the label on a product and its appearance and are guided by same in picking a can off the shelf. The court in effect holds that no matter how similar the dress of the goods there is no unfair competition where the trademarks are different. This is not a case of trademark infringement but one of unfair competition based upon Oriental's copying of Chun King's labels. Finding of Fact 30 expressly finds that a casual buyer who did not buy by brand name might pick up one can for the other [R. 88]. Such a purchaser may or may not know the brand name involved and still have in mind a particular product he desires which in his mind is identified by the general appearance of the label and product. Courts, in many instances, have found unfair competition because of the similarity of packages, even though the brand names are different. See *O. K. Jelks & Son, et al. v. Tom Huston Peanut Co.* (5th Cir. 1931), 52 F. 2d 4, wherein the court stated at page 8:

"On the question of unfair competition the comparison of packages shows great similarity. They are of the same size and made of the same material, and defendants' package is closed with a seal very similar to plaintiff's. An attempt has evidently been made to avoid liability by printing the name 'Jelks' Primrose Toasted Peanuts' on defendants' bag, while

plaintiff's package has 'Tom's Toasted Peanuts' printed on both sides of the seal. Plaintiff's color scheme is red and blue, and these same colors are adopted by defendants. There is sufficient similarity in the appearance of the two packages to cause confusion to the casual purchaser. In addition, there is the testimony of four witnesses that they had asked for 'Tom's Peanuts' at retail stands and that Jelks' peanuts had been handed them without their immediately discovering the substitution. We think the evidence establishes a case of unfair competition."

In *My-T Fine Corporation v. Samuels, et al.* (2nd Cir. 1934), 69 F. 2d 76 at page 77 the court stated:

"In the case at bar, it seems to us fairly demonstrated that the defendants have copied the plaintiff's make-up as far as they dared. We are not entirely clear that this was not true of their original box; but that is too doubtful to be decided on affidavits, and besides, its use has been discontinued anyway. At the very outset the directions were lifted bodily from the back of the plaintiff's box; and although the defendants were within their rights as to that, still the circumstance is relevant because it proves that the box had been before them when they designed their own make-up, and that it had been their point of departure. In addition they took solid green for the body, and put on a chevron; and while perhaps they did not choose a general combination of red and green, at least they adopted a red lettering. Whether or not they meant to get hold of the plaintiff's customers by that make-up, their next step was bolder, and put their intent beyond question; they added the red stripes at every edge; so that the real differences that remained were only in the name and the color of the chevron. As they had not the slightest original interest in the

colors chosen and their distribution, they could only have meant to cause confusion, out of which they might profit by diverting the plaintiff's customers. This being the intent, the dissimilarities between the two do not in our judgment rebut the presumption."

Again, in *Chesebrough Mfg. Co. v. Old Gold Chemical Co., Inc.* (6th Cir. 1934), 70 F. 2d 383 at page 384, the court stated:

"It is not contended that the appellee has so closely simulated appellant's trade-marks as to amount to infringement, nor that there is unfairness in the type, shape or form of appellee's jar and cap. The contention is that it has so simulated in coloring and marking the caps, cartons, and labels of the appellant as to mislead the purchasing public. Simulation amounting to unfair competition does not reside in identity of single features of dress or markings nor in indistinguishability when the articles are set side by side, but is to be tested by the general impression made by the offending article upon the eye of the ordinary purchaser or user. If the general impression which it makes when seen alone is such as is likely to lead the ordinary purchaser to believe it to be the original article, there is an unlawful simulation, *McLean v. Fleming*, 96 U. S. 245, 255, 24 L. Ed. 828; *Paris Medicine Co. v. W. H. Hill Co.*, 102 F. 148, 150 (C. C. A. 6).

The appearance of appellee's carton as colored and marked so closely resembles the appellant's as to admit, in our opinion, of no doubt of the likelihood of confusing the two articles. We are likewise of opinion that the label of appellee so closely resembles appellant's label as to lead to confusion and deception. It is true that appellee places on its article distinguishing marks by which it could be identified by a careful and discriminating purchaser, but this is not enough,

for it is the casual or ordinary purchaser who must be protected, and as to him the test is general appearance. *O. & W. Thum Co. v. Dickinson*, 245 F. 609, 613 (C. C. A. 6); *Auto Acetylene Light Co. v. Prest-O-Lite Co.*, 264 F. 810, 813 (C. C. A. 6); *Rymer v. Anchor Stove & Range Company* (C. C. A. 6), 70 F. (2d) 386, this day announced. Measured by this test, there can be no doubt, as we have said, that appellee has simulated the label and carton of appellant. . . .”

\* \* \* \* \*

“ . . . There was no attempt to explain why, with all the colors and variations in arrangement thereof available to the appellee, it chose the colors and arrangement used by appellant. We cannot escape the conclusion that it acted, in coloring and designing its label as well as in marking its carton, with the fraudulent intent to simulate the dress and markings of appellant’s product. That it had theretofore put out another product under a blue and white marking does not militate against this view, for the colors were arranged differently and the product was not a competing product with ‘Vaseline.’ Nor is it evidence of lack of fraudulent intent that the appellant had not consistently used the same shade of blue on its label and cap as it now uses. It may be that at an earlier date some of its labels and caps were of a slightly lighter shade of blue. Whether this was due to the fading of the darker blue does not appear, but it does appear that appellant had used its present shade of blue for many years before appellee entered the field. It is not, however, in the use of blue per se that appellee has been guilty of unfair practice, but in the use of it with white in lettering, panels and designs so as to give its article the appearance of appellant’s. In our view it has been guilty of unfair competition.”

Still again in *Socony-Vacuum Oil Co., Inc. v. Rosen* (6th Cir. 1940), 108 F. 2d 632, the court stated at page 636:

“Since the essence of unfair competition consists in palming off, either directly or indirectly, one person’s goods as those of another, the question of intent to deceive is involved though it is not necessary to prove it by direct evidence. It may be inferred from circumstances and will be presumed where the resemblance is patent and the probability of confusion obvious.

The facts found by the lower court show that the appellee’s assignor, through his experience in the lubrication of automobiles, developed a product superior to that theretofore in use and, through his industry and expenditure of money by the appellees, built up a trade by which the public became acquainted with an article distinctive in color, size, shape and use, put up in containers in such a way that it would be recognized by a prospective purchaser. The facts further show that appellant sought out the localities and places where appellee had created a demand for her product and placed its article for identical use in packages of such similarity as was likely to deceive the ordinary buyer making purchases under ordinary conditions.

With a practically unlimited field of distinctive names, shapes, sizes and colors of packages open to appellant for use when it entered into the manufacture and sale of the same product in which appellee was dealing, the fact that it chose to use a package of the same shape and size with the contents of substantially the same color as appellee’s, is weighty evidence that appellant did so because of the good will earned by appellee and the high regard which her product had established in the industry. Akron-Over-



land Tire Co. v. Willys-Overland Co., 3 Cir., 273 F. 674.

In cases of unfair competition it is unnecessary to show as close an imitation as in those of trade marks. If the simulation of the competitor in the dress of his goods is sufficient to deceive the average purchaser, unfair competition exists even though there are such differences in imitation as would preclude a claim of infringement of a trade mark. *Coats v. Merrick Thread Co.*, 149 U. S. 562, 566, 13 S. Ct. 966, 37 L. Ed. 847; *Chesebrough Mfg. Co. v. Old Gold Chemical Co.*, 6 Cir., 70 F. 2d 383; *Northam Warren Corporation v. Universal Cosmetic Co.*, 7 Cir., 18 F. 2d 774."

See also:

*Pastificio Spiga Societa per Azioni v. De Martini Macaroni Co., Inc.* (2d Cir. 1952), 200 F. 2d 325;

*American Chicle Co. v. Topps Chewing Gum, Inc.* (2d Cir. 1953), 208 F. 2d 560.

In the latter case, at pages 562 and 563, the court stated:

"We may properly assume, therefore, that, although the defendant's 'make-up' is not 'likely to cause confusion' among attentive buyers, there is a substantial minority, 'likely' to be misled. . . ."

\* \* \* \* \*

". . . the defendant has not suggested even the most diaphanous reason for selecting for its peppermint box out of all possible permutations of color and design, just the plaintiff's—or at least almost the plaintiff's—combination, except for the substitution of 'Topps' for 'Chiclets.' It would be absurd to see in this anything but a hope to bring to its own net just those buyers who are on the fringe of the plaintiff's possible cus-

tomers. In the language of Judge Byer, the imitation ‘revealed an apparent purpose to come as close to the plaintiff’s package as the law might close its eyes to, so long as ‘Toppis is used instead of Chiclets.’ ”

\* \* \* \* \*

“ . . . Indeed, it is generally true that, as soon as we see that a second comer in a market has, for no reason that he can assign, plagiarized the ‘make-up’ of an earlier comer, we need no more; for he at any rate thinks that any differentiation he adds will not, or at least may not, prevent the diversion and we are content to accept his forecast that he is ‘likely’ to succeed. Then we feel bound to compel him to exercise his ingenuity in quarters further afield.”

The trial court’s opinion refers to the protection afforded by the law to a combination of colors and symbols [R. 74-82]. It is submitted that the court’s conclusions are contrary to each of the above decided cases. The trial court in effect has ruled that no matter how similar the color scheme and arrangement of two labels are, no unfair competition exists if the trade-marks are different if there is no proof of actual confusion. See *Chesebrough Mfg. Co. v. Old Gold Chemical Co., Inc.*, *supra*, which is directly contrary to this holding.

The question which should have been answered by the trial court is whether or not an appreciable number of prospective purchasers in connection with which the labels are used are likely to be confused. The trial court, in its opinion and findings, erroneously excluded from its consideration those customers who would depend upon the dis-

tinctive appearance of Chun King's label in selecting canned goods from the grocer's shelf.

It is to be noted that no evidence of probability of confusion or the lack thereof was before the trial court. Chun King relies upon the comparison between its labels and the accused labels as clearly and unquestionably establishing a likelihood of confusion. Under these circumstances the appellate court is in as good a position as the trial court to determine the existence of a likelihood of confusion.

See *Miles Shoes, Inc. v. R. H. Macy & Co., Inc.* (2 Cir. 1952), 199 F. 2d 602, wherein the court stated:

“ . . . Where the question of confusing similarity is based solely on the marks themselves, this court has said that: ‘\* \* \* we are in as good a position as the trial judge to determine the probability of confusion.’ . . . ”

In *McCormick & Co., Inc. v. B. Manischewitz Co.* (6th Cir. 1953), 206 F. 2d 744, the court holds at page 746:

“ . . . It also follows that while extrinsic facts are significant, the likelihood of confusion may as readily be perceived by a reviewing court upon visual comparison as by a court of first instance, unless extrinsic facts compel determination one way or the other.”

See also:

*Best & Co. v. Miller* (2nd Cir. 1948), 167 F. 2d 374, and

*California Fruit Growers Exchange v. Sunkist Baking Co.* (7th Cir. 1948), 166 F. 2d 971.

E. Conclusion.

It is submitted that the record establishes that Oriental, with full knowledge of Chun King's labels, cartons and promotional activities copied same with the intention of promoting confusion in the trade and trading upon the good will of Chun King. There is no other possible explanation for the similarity of color schemes, style and arrangement of the labels. A comparison of the labels side by side leaves no other conclusion possible but what an appreciable number of purchasers would be likely to be confused by the similarity. That the trial court erred in considering only that class of customers who read the trademarks on the labels as the type of trade the law protects from this form of deceit. Consequently the judgment of the trial court on the unfair competition action should be reversed and the relief prayed for in the complaint by Chun King be granted.

Respectfully submitteed,

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No. 15104  
IN THE  
**United States Court of Appeals**  
FOR THE NINTH CIRCUIT

---

ORIENTAL FOODS, INC.,

*Appellant,*

*vs.*

CHUN KING SALES, INC. and JENO F. PAULUCCI,

*Appellees.*

---

CHUN KING SALES, INC. and JENO F. PAULUCCI,

*Appellees-Cross-Appellants,*

*vs.*

ORIENTAL FOODS, INC.,

*Appellant-Cross-Appellee.*

---

**ANSWERING BRIEF OF PLAINTIFFS-  
APPELLEES-APPELLANTS.**

---

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---

## ANSWERING BRIEF OF PLAINTIFFS- APPELLEES-APPELLANTS.

---

### Statement of the Case.

#### (a) Background of the Invention.

In the merchandising of Chinese-American foods the melange or stew of the product is in a separate can from the noodles or rice. The melange or stew may be of several types, such as beef, chicken or meatless. When the melange is poured over rice it is termed Chop Suey and when poured over noodles it is called Chow Mein [R. 124].

Since the consumer, in addition to purchasing the melange or stew, also usually purchases either rice or noodles, it is highly desirable to place the can of melange or stew on the grocer's shelf already attached to either a can of rice or noodles. In this manner the products lend

themselves to promotional programs such as a one cent sale or two-in-one sale as well as increasing the convenience of the storekeeper and the purchaser. Also it is desirable to cook the meat and sauce separate from the vegetables, to can same separately to improve the flavor and quality of the melange. Such cans are then taped together and called a divider pack [R. 117, 118].

Both parties as well as the remainder of the art, struggled with the problem of how to secure the cans together in a manner which would be satisfactory prior to the invention defined by Claim 1 of the Paulucci patent in suit.

**(b) The State of the Art Prior to Paulucci's Invention.**

Prior to Paulucci's invention Chung King tried to tape cans in end-to-end relationship. Problems arose because the cans were of different weights and the beads thereof were greasy. In May of 1949 the method utilized consisted of "We would take the tape and loosen it from the dispenser and roll the cans into the tape, and then tack the end on to the other end of the circumference of the bead" [R. 119]. In other words, the two cans were placed in end-to-end relationship and rolled onto the loose tape until the tape surrounded the cans [R. 426, 428]. This method of taping was highly unsatisfactory in that the tape would ruffle and the cans would come apart [R. 120]. It was necessary to supply brokers and salesmen with tape so that they could retape those cans which came apart [R. 121].

Oriental, assertedly in June of 1949, tried to tape cans in end-to-end relationship and continued until early 1950. This operation involved grasping the two cans with the left hand, picking up a pre-cut piece of tape, tacking one end of the tape to the cans and then rotating the cans

manually while guiding the tape onto the beads [R. 474]. However, this process which differs materially from the patented process, was unsatisfactory and within approximately six months was abandoned in favor of cardboard cartons such as Exhibit 53 even though taping was admitted to be more economical [R. 492, 495].

When Chun King experienced difficulty with its taping process, Minnesota Mining & Manufacturing Company, in order to promote sales of its tape to Chun King, endeavored to construct a machine to perform the taping operation. This machine which is shown and described in the Johnson patent No. 2,652,166, was delivered to the Chun King plant in 1951 and tested there [R. 182]. The machine was completely unsatisfactory [R. 183]. The machine was built and tested under secrecy conditions and when these tests proved the machine useless the tests were abandoned [R. 183, 186]. It was only later after the invention of the patent in suit that the art was taught how to modify the so-called Johnson machine to render same operative. In this modification the accused Dellenbarger machine incorporated the patented invention as will appear hereinafter more fully and thus departed from the teaching of the Johnson Patent 2,652,166.

### **(c) The Invention.**

In this background Jenö F. Paulucci conceived, around June or July of 1951, the method defined in Claim 1 of the patent in suit [R. 120]. This method of taping cans eliminated all of the then existing difficulties in the art [R. 121, 123]. The new method of taping cans eliminated the problems resulting from the difference in weight of the cans taped together and the presence of grease on the beads thereof. In addition thereto, a new, startling and highly unexpected result was attained. In applying

the tape over the irregular contour of the beads of the cans and onto the side walls thereof while in a stretched condition, the tape was extended transversely of its length with the result that the tape adheres completely to the beads and in effect “welds” the cans together [Finding of Fact 7; R. 83].

Such transverse extension of the tape and the holding force resulting therefrom is a completely unexpected and surprising result. During shipping and handling the cans responded as though welded instead of merely held together by a piece of tape. A great force is required to tear the two cans apart. An ordinary housewife would have to cut the tape to part the cans. The cans during handling are rigidly secured together preventing any relative movement there between. Where tape is normally used to hold two items together, freedom of movement between same results. This relative movement is eliminated when the patented process is utilized [Finding of Fact 7; R. 83].

Immediately after the invention of the method of claim 1 of the patent in suit, it was adopted by Chun King with a spectacular increase in Chun King's business [R. 188, 189; Finding of Fact 10; R. 84]. Upon observing the outstanding growth of Chun King's business and their success in the selling of taped Chinese-American foods, Oriental abandoned its paper carriers or cartons and returned to taping its cans together in 1954 [R. 492], this time the taping operation was successful because Chun King's patented method was adopted, as will more fully appear hereafter.

The trial court after all the evidence, was convinced that the Paulucci patent and specifically claim 1 thereof was valid under all of the applicable tests and that this invention was being appropriated by Oriental.

## ARGUMENT.

### (1) The Operation of the Accused Machine.

Oriental recommenced its taping operations in 1954 [R. 468, 469], utilizing a machine identified as a Dellenbarger machine [R. 100]. This machine was brought into Court [R. 145], designated as Exhibit 21 for identification [R. 152], and was operated permitting the Trial Judge to witness and fully comprehend its construction and method of operation [R. 167]. The machine was photographed [R. 165, 166], and the photographs were designated Exhibits 21-A through 21-G, inclusive [R. 545, 551] and substituted in the record for the actual machine [R. 202].

The Dellenbarger machine is described by the witness Peterson, one of the Oriental's witnesses, in the record at pages 306, 311, and by the witness Johnson, another of Oriental's witnesses in the record at pages 318, 326. A roll of tape [see Ex. 21-C, R. 547] is mounted upon drum T which rotates freely upon the shaft that supports it [R. 324]. The tape is then trained beneath the pre-stripping roller A which is rotatably mounted [R. 324]. The tape is then reeved sticky side down over longitudinally serrated tensioning roller C which is held by tensioning ratchet B and spring D. The tape then passes beneath tape applying roller L which roller is actually a pair of freely rotating rollers E-1 and E-2 [R. 325] mounted upon the tape applying arm M. When the machine is actuated the arm M pivots moving roller L into contact with the cans being taped as seen in Exhibit 21-D thereby tacking the tape to the beads of the cans. A buffing roller P mounted upon buffing arm O is also pivoted into contact with the cans and functions to smooth out the tape on the beads of the cans.

A knife Q is likewise mounted upon arm R [R. 323]. When the cans have been taped together by being rotated in the machine the taping arm M moves upwardly out of engagement with the tape. The tape being under tension then engages the cutting edge of knife Q severing same and the machine then ejects the taped cans [R. 325].

Thus, two elements in the accused machine function to insure adequate tension in the tape to stretch same prior to application on the cans. The first element is the training of the tape through a circuitous route under pre-stripping roller A over tensioning roller C and under taping roller L which, according to Oriental's own witness Peterson, results in increased tension in the tape [R. 310]. The second tensioning element is roller C which is longitudinally serrated and engaged by tension ratchet B having a spring D engaging the serrations in roller C resisting rotation thereof to increase tension in the tape as same is drawn onto the cans [R. 308, 309].

Claim 1 may be applied to the accused Dellenbarger machine in the following manner:

(1) The method of securing two cans together, said cans having beaded ends protruding beyond their side walls, comprising aligning said cans in end-to-end relationship with adjacent end beads of said cans abutting each other.

Such structure is admittedly present in the Dellenbarger machine (Oriental's Op. Br. p. 29).

(2) Stretching a portion of a slightly resilient sticky tape and applying said portion of said tape over portions of the abutting beads and adjacent side walls of said cans together,

Referring to Exhibit 21-C it is apparent that as tape is drawn from drum T onto the cans, as same are rotated, that the tape will be under considerable tension because of the tensioning roller C, over which the tape passes sticky side down, and ratchet B and spring D, which resist rotation of roller C. This tension is greatly increased by the presence of pre-stripping roller A providing a circuitous route for the tape. This tension or resistance to pulling of the tape is sufficient to stretch the tape prior to the stretched tape being applied over the abutting beads of the cans. Thus, upon application of such tape in the stretched condition the tape passes around the beads to engage the side walls of the cans. This results in extending the tape transversely of its length at an intermediate section so that the tape "welds" the cans together. Such operation is readily apparent from the functioning of the Dellenbarger machine and was demonstrated to the Trial Court by operating the machine for the benefit of the Trial Court [Findings of Fact 7, 14, 15; R. 83, 85, 167].

Even if a "free loop" of tape existed prior to commencing the taping operation, which is not admitted, the above language of the claim still reads upon the method employed by the Dellenbarger machine in view of tensioning roller C ratchet B and spring D which function to tension the tape and stretch same. Clearly, after the asserted "free loop" has been exhausted as illustrated in Exhibit X-3 [R. 678] the tape is under tension sufficient to stretch same. There is nothing in the claim that requires any distortion of its plain language nor is there anything in the file history which limits the plain language of the claim as will be hereinafter discussed.

(3) Pulling on the portion of said tape not secured to said can in a direction substantially tangential to the periphery of the cans to place same in a stretched condition,

Obviously the tape as applied to the cans under sufficient tension to stretch same is being pulled by the tensioning roller C, ratchet B and spring D's resistance to the tape being pulled onto the cans. This pulling is augmented by the circuitous path through which the tape is trained [R. 310]. Further proof of such pulling is found in Oriental's own drawing Exhibit X-4 [R. 679] which illustrates release of the tape by lifting of the applying roller to permit the tape to rise into contact with the knife to sever same. If there were no pulling on the tape, how would it rise from the position in Exhibit X-3 [R. 678] to the position in Exhibit X-4 [R. 679]? The demonstration of the accused machine in court clearly established that this language of the claim was readable on the accused machine. Findings of Fact 14, 15 [R. 85, 167].

(4) And rotating said cans on their longitudinal axes while said tape is in said stretched condition to cause said tape to be applied and adhered to the remainder of the periphery of said beads and adjacent side walls of said cans.

Clearly the cans are rotated while tape is being applied and adhered to the periphery of the beads and adjacent side walls of the cans. Since the tape during this rotation is in a stretched condition as discussed heretofore, and as demonstrated to the Court by operation of the accused machine, this language of the claim is fully met in the accused method [Findings of Fact 14, 15; R. 85, 167].

Thus, the claim is clearly infringed by the accused method as the Trial Court found. Such findings are not clearly erroneous but to the contrary, are fully supported by the demonstration of the accused machine at the trial. Such findings are also fully supported by the Exhibits 21 A-G, X-1, X-2, X-3, X-4, and the testimony of the witnesses Peterson and Johnson, Rule 52(a), F. R. C. P.



## (2) Interpretation of the Paulucci Patent.

Oriental seeks in its opening brief to limit the scope of claim 1 by reference to the history of the patent in the Patent Office. The doctrine of file wrapper estoppel asserted by Oriental on page 31 of its opening brief, has no application to the present patent. After the application was allowed, a request was made under the provisions of Rule 312 of the Rules of Practice of the United States Patent Office to add a new claim designated claim 4. Rule 312 provides as follows:

*“Amendments After Allowance.* Amendments after the notice of allowance of an application will not be permitted as a matter of right, but may be made, if the printing of the specification has not begun, on the recommendation of the primary examiner, approved by the Commissioner, without withdrawing the case from issue.”

It is to be noted that after allowance of an application, the applicant has no right to amend same. The amendment requested under Rule 312 (formerly Rule 78) must be approved by the Commissioner of Patents before it may be entered. No appeal from the refusal to consider an amendment under Rule 312 is available. (*Ex parte Fleming*, 1907 C. D. 51.) Amendment after allowance is a matter of grace and the petition may be refused and applicant has no recourse. (*Ex parte Stone*, 1902 C. D. 434.)

A petition under Rule 312 (formerly Rule 78) is within the discretion of the Patent Office and the Examiner's report to the Commissioner is not an action in the application but serves merely as advice to the Commissioner upon which he may base his action. The applicant has no right of appeal from a holding that the claim is not patentable.

Patent Office Rules and Practice, Amdur, pages 1128 to 1130, inclusive.

An amendment under Rule 312 does not affect interpretation of the claims. Patent Office Practice (3rd Ed.), McCrady, page 421.

It is, of course, well established that a patentee cannot seek by interpretation of his claims to recapture that which he gave up in the Patent Office to obtain allowance of his patent. However, the reasoning behind this established rule is lacking in the present situation where the patentee, after having obtained allowance of his patent sought to add an additional claim thereto. In this respect the present situation is the same as in that presented to the Court in *Musher Foundation, Inc. v. Alba Trading Co., Inc.* (2d Cir., 1945), 150 F. 2d 885. Judge Learned Hand, in the opinion of the Court, stated at page 888:

“The defendant insists that the plaintiff is estopped to claim any equivalents by its cancellation of three claims (quoted in the margin<sup>2</sup>), all of which did not contain the element of heat. These claims were not cancelled to escape rejection upon a reference from the prior art cited by the examiner; they were ‘voluntarily’ withdrawn after they had been allowed along with the claims in suit. We are told that the cancellation was for the purpose of inserting them in another pending patent; but, although there is nothing to contradict this, we shall dispose of the case on the assumption that the reason does not appear, for the record is silent. It is of course a well-settled exception to the doctrine of equivalents that, when an examiner rejects a claim upon the prior art and the applicant withdraws it, the disclosure *pro tanto* passes

into the public domain. The applicant may not by resort to the doctrine of equivalent interpret any claim which he succeeds in getting allowed, so that it will cover the contents of the rejected claim without some limitation. *Smith v. Snow*, 294 U. S. 1, 14, 15; 55 S. Ct. 279, 79 L. Ed. 721; *Schreiber Co. v. Cleveland Trust Co.*, 311 U. S. 211, 220, 61 S. Ct. 235, 85 L. Ed. 132; *Exhibit Supply Co. v. Ace Patent Co.*, 315 U. S. 126, 136, 62 S. Ct. 513, 86 L. Ed. 736. The reason for this is that if the rejection is wrong, the applicant has remedies both in the Patent Office and in the courts: remedies which the cancellation of the rejected claim necessarily surrenders. That surrender does not of course result in a dedication of all species of the genus surrendered; but it does surrender any monopoly upon the genus as such: *i.e.* unless it be restricted to some species of that genus. When an applicant cancels a claim which has already been allowed, none of this reasoning applies, and at best it becomes an open question which must be proved, whether he intends to surrender the disclosure in such sense that he abandons any equivalents of the elements of those claims which he keeps. Certainly no such intent was proved here. Be that as it may, there is a conclusive reason in this case which would put Claim One outside the exception, even if it had been shown that the applicant had actually intended to surrender the contents of the cancelled claims. All of them contained as an element that the paste or the olives must be salted; and the defendant does not salt the olives out of which it makes its paste. The applicant may well have cancelled the three claims in question precisely, because they did not include that 'much less preferable' alternative, which he had disclosed and claimed. We therefore hold Claim One entitled to the same range of equivalents as though the three

claims had not been cancelled; and that, when the defendant lengthened the time and reduced the temperature, it adopted the equivalent of a 'short' time and a 'slightly elevated temperature'. *B.B. Chemical Co. v. Ellis*, 1 Cir., 117 F. 2d 829, 833, was very close on the facts."

Of course the Court in the *Musher Foundation* case determined that the cancellation of allowed claims did not result in a file wrapper estoppel, however, the reasoning underlying the decision is equally applicable in the present instance. In this case Paulucci had no remedy in the Patent Office or in the Courts for review of the action of the Patent Office in refusing to enter claim 4 by way of amendment under Rule 312 of the act being an exercise of discretion on the part of the Patent Office.

It is contended by Oriental that claim 1 of the patent in suit is limited because of the proceedings in the Patent Office in such a manner so as to not be infringed. There is nothing in the Patent Office record which requires such an interpretation. The trial court did not so interpret claim 1 and as previously pointed out in the preceding section of this brief the claim is clearly infringed by Oriental's taping process.

The reason for requesting allowance of a claim such as proposed claim 4, was a fear, which proved groundless, that allowed claim 1 might possibly be misinterpreted. The Examiner in his discretion, under Rule 312 refused to enter claim 4. The Trial Court concluded that such fears were groundless and correctly interpreted claim 1 to include Oriental's activities [Findings of Fact 14, 15; R. 85].

### (3) The Paulucci Patent Is Valid.

It is asserted in Oriental's opening brief that the Paulucci patent is invalid on its face for lack of invention. Such a statement is contrary of course, to the proofs and findings in this record [Finding of Facts 7, 8, 9, 11, 12, 13, 17, 18, 19, 20, 21, 22, 23, 24]. The record establishes three prior unsuccessful attempts by the art to accomplish the result obtained by the patented process. Chun King, prior to the Paulucci invention, endeavored to tape cans together and was unsuccessful [R. 120]. Oriental tried to tape cans together and was unsuccessful [R. 492, 495]. Minnesota Mining & Manufacturing Company tried to tape cans together and was unsuccessful [R. 183, 186]. In this background of a long felt want and with the art struggling with the problem, Paulucci conceived and perfected the patented method. The method produced a new, useful and unexpected result that is of "welding" the cans together [R. 123]. The method spells out both novelty and utility and constitutes a valuable contribution to the art.

One who had knowledge of the prior failures including the disclosure of the patents to Johnson No. 2,652,166, Nifong No. 2,120,504, would not be advised of the patented method. Nor would one skilled in the art find Paulucci's contribution to the art simple, obvious or an easy chore. The record establishes a ready and widespread acceptance of the invention on the market and widespread commercial success.

Under any of the tests of patentable invention, the method defined by claim 1 of the Paulucci patent must be deemed a patentable invention (*Coleman Co., Inc. v. Holly Mfg. Co.* (9th Cir., 1956), 233 F. 2d 71).

There is no testimony establishing or even tending to establish that Paulucci's contribution was obvious or was within the scope of ordinary skill of the calling. The evidence establishes the contrary, that prior to Paulucci's invention the art could not solve the problem.

#### (4) Chun King's Prior Taping Operation.

In May, 1949, Chun King endeavored to tape cans in an end-to-end relationship. This operation is fully described in section (B) of the Statement of the Case (*supra*). A comparison of this process with the method defined by claim 1 clearly indicates that it did not embody the invention of the Paulucci patent. There was no stretching of the tape and applying it in this condition causing the tape to pass around the irregular contour of the beads of the cans and to engage the side walls thereof, whereby the tape is extended transversely of its length which results in the cans being "welded" together [Finding of Fact 7; R. 83]. This new and unexpected result of the method of claim 1 was entirely lacking from the prior Chun King taping method.

The testimony is clear that the prior taping operation was unsuccessful [R. 120] and was abandoned [Finding of Fact 17; R. 85]. The Trial Court correctly determined that this activity constituted an abandoned experiment (*Electric Storage Battery Co. v. Shimadzu* (1939), 307 U. S. 5; *Pacific Laboratories v. Solox Laboratories* (9th Cir., 1953), 209 F. 2d 529). The evidence fully supports this determination. Thus, the prior taping operation of Chun King does not invalidate claim 1 of the Paulucci patent, first, because it did not incorporate the invention defined by claim 1 and second, because it constituted an unsuccessful and abandoned experiment.

The contention that the apparatus shown in Figure 3 of the Paulucci patent were in use in May, 1949, is not true. The quoted sections of the record do not in any way support such an interpretation [R. 43, 45-60, 63-193, 195]. The apparatus used in 1949 differed materially in structure, mode of operation and result and the claim of the filing of a false oath is without any basis in law or fact.

Since there is no claim of infringement of claims 2 and 3 and since the Trial Court limited the action to validity and infringement of claim 1 of the patent [R. 109, 110] no evidence of validity or lack thereof of these claims is present in the record. The Exhibits A and B were identified as having been taken in 1952 [R. 501, 502] not in 1949 as inferred on pages 6-8 of Oriental's opening brief.

#### (5) Oriental's Prior Taping Operation.

The nature of Oriental's June, 1949, taping operation is fully set forth in section (B) of the Statement of the Case (*supra*). It was continued until early 1950 and abandoned [R. 492, 495]. There is nothing in the record which establishes that the 1949 taping operation included applying the tape in a stretched condition. There is nothing in the record which establishes that the tape, as a result, was extended transversely at an intermediate section to adhere completely to the beads of the cans, "welding" same together. The Trial Court hence was correct in its determination that the operation did not invalidate the claim [Findings of Fact 16, 17, 24; R. 85, 87].

Also, the operation of Oriental was an abandoned experiment (*Pacific Contact Laboratories v. Solex Laboratories* (9th Cir., 1953), 209 F. 2d 529) [R. 70].

As stated in *Whiteman v. Mathews* (9th Cir., 1954), 216 F. 2d 712:

“The burden of proof imposed upon a party tendering the issue of prior public use is a heavy one. It is not satisfied by a mere preponderance of the evidence, but is borne successfully only if the evidence is clear and satisfactory—perhaps beyond a reasonable doubt.”

Oriental failed to carry this heavy burden of proof, indeed, the Trial Court upon the testimony reached the opposite conclusion. There were no exhibits, physical or documentary, which established that the taping operation in 1949 utilized the invention of Paulucci. None of the witnesses testified that the 1949 taping operation utilized the invention.

#### **(6) The Johnson Patent 2,652,166 Does Not Invalidate.**

On page 44 of its opening brief Oriental states:

“We concede that the operation of the machine of the Johnson patent, DX-S, would not put enough tension on the tape to stretch it . . .

“Similarly, we concede that the machine of the Johnson patent does not stretch the tape before its initial application to the cans, . . .”

Chun King fully agrees with these concessions. The Trial Court also agreed [Findings of Fact 18, 19, 20, 21, 22, 23; R. 528]. The machine sent by Minnesota Mining & Manufacturing Company to Chun King, upon which the Johnson patent 2,652,166 was based, similarly did not put enough tension on the tape to stretch same (Oriental's Br. pp. 13 and 14). Consequently, neither the Minnesota Mining & Manufacturing Company machine nor



the Johnson patent, based upon such machine, teach the art of Paulucci's invention.

Oriental then claims that its machine is the same as the Johnson machine and therefore does not infringe. This position is incorrect and contrary to the testimony in the record. Oriental's own witness, Peterson, clearly described the differences between the Johnson machine and the Dellenbarger machine. First, there was no pre-stripping roller such as A in Exhibit 21-C in the Johnson patent [R. 308, 309]. This addition of the roller A increased the tension on the tape [R. 310]. The roller C in Exhibit 21-C is serrated longitudinally which was not done in the Johnson machine or patent [R. 309]. A ratchet B and a tension applying spring D was added to the Dellenbarger machine Exhibit 21-C which was not present in the Johnson machine or patent [R. 309].

Thus, the Dellenbarger machine varies in two important aspects from the Johnson patent or machine, both of which were added for the purpose of increasing the tension on the tape to insure the tape would be in a stretched condition when applied to the cans. It is admitted that the Johnson patent does not teach steps 2 and 3 of the method of claim 1 [R. 68, 528]. However, the modifications in the accused machine, which were necessary to render the machine operative, insured that the machine did utilize steps 2 and 3 of claim 1. Oriental likewise admits the use of steps 1 and 4 of claim 1 [R. 520, 521].

Consequently, the Court correctly determined that neither the Johnson machine nor patent invalidated claim 1 of the Paulucci patent and that the infringing machine materially differed therefrom.

**(7) Nifong Patent 2,120,504 Does Not Invalidate.**

The Nifong patent does not teach the method defined by claim 1 of the Paulucci patent. It has been conceded by Oriental that the teaching of the Nifong patent does not teach the essential step of stretching the tape and applying it to the cans in a stretched condition. As stated in the record at page 525:

“Mr. Harris: Exactly, your Honor, and I would be the first to concede that this Nifong patent does not teach step 2 of the patent in suit, which is pre-stretching the tape before it is applied to the can.”

The Trial Court, upon investigation of the Nifong patent, agreed that the patent did not invalidate claim 1 of the Paulucci patent [Finding of Fact 18, R. 86; see also the Trial Court’s opinion, R. 68, 69].

Thus, the Nifong patent fails to invalidate claim 1 of the Paulucci patent for the same reason as the Johnson patent. It does not put enough tension on the tape to stretch same prior to application to the cans. By leaving out this step the prior art fails to attain the new and unexpected result obtained by the patented method of extending the tape transversely of its length at an intermediate section so that the tape adheres completely to the beads of the cans “welding” same together [Finding of Fact 7; R. 83].

**(8) Claims 2 and 3 Are Not in Issue.**

There is no charge of infringement of claims 2 and 3 of the Paulucci patent. There is no case or controversy with respect to these claims for the Trial Court or this Court to determine. The Trial Court limited the proofs to claim 1 of the Paulucci patent [R. 109, 110] and made no decision from which an appeal could be taken with respect to claims 2 and 3.

## Conclusion.

The Paulucci patent in claim 1 defines a method previously unknown to the art. The prior attempts to achieve the results of claim 1 were a failure. Chun King, Oriental and Minnesota Mining and Manufacturing Co. all tried, failed and abandoned their experiments at taping cans in end-to-end relationship. In this background with the art struggling with the problem unsuccessfully Jeno F. Paulucci taught the art the vital change necessary to make the taping process operative. He taught the art to put sufficient tension on the tape to stretch same and to apply the tape to the cans in this stretched condition. From this method he obtained new, unexpected and surprising results. The tape would be extended transversely of its length at an intermediate section so that the tape adhered completely to the can beads and in effect welded the cans together. This was novel, it was useful and unknown to the art. This was not obvious, it was beyond the ordinary skill of the art and was immediately adopted by the industry and has enjoyed widespread commercial success.

The prior taping operations of Chun King and Oriental did not embody this invention. It is admitted that the prior patents to Nifong and Johnson did not use this method as well as the Johnson or Minnesota Mining and Manufacturing Co. machine.

It was only after Paulucci's invention that the Dellenbarger machine was modified to include the pre-stripping roller A and the tensioning roller C with its ratchet B and spring D. Both of these modifications increased the tension on the tape. This increase in tension was sufficient to stretch the tape in accordance with Paulucci's invention prior to applying it to the cans. The demonstration of the accused machine at the trial clearly established this.

Consequently, the validity and infringement of claim 1 of the Paulucci patent 2,679,281 is clearly established in the record. The Judgment of the Trial Court is fully supported by the Findings of Fact and same are not "clearly erroneous."

As stated by this Court in *Jesse E. Hall, et al. v. Kenneth A. Wright, et al.*, Appeal No. 14626, decided January 16, 1957:

"The question of novelty and invention of a patented device or method is a question of fact. *Lane-Wells Co. v. M. O. Johnston Oil Field Service Corp.* (9 Cir.), 181 F. 2d 707, a finding of fact that the subject matter of a patent lacks invention over the state of the prior art should therefore not be disturbed unless the finding is clearly erroneous."

Further stating:

"The record is far from conclusive in favor of the finding of fact that Wright patent No. 372 lacks invention. We are of the view, however, that such finding is sufficiently supported in the evidence so that we must hold it to be not clearly erroneous."

Surely a finding of fact that the subject matter of a patent involves invention over the state of the prior art is entitled to the same treatment. Consequently, the Judgment of the Trial Court must be affirmed.

Respectfully submitted,

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No. 15,104  
IN THE  
**United States Court of Appeals**  
FOR THE NINTH CIRCUIT

---

ORIENTAL FOODS, INC.,

*Appellant,*

*vs.*

CHUN KING SALES, INC. and JENO F. PAULUCCI,

*Appellees.*

---

CHUN KING SALES, INC. and JENO F. PAULUCCI,

*Appellants,*

*vs.*

ORIENTAL FOODS, INC.,

*Appellee.*

---

**Answering Brief of Defendant-Appellee  
Oriental Foods, Inc.**

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ORIENTAL FOODS, INC.,

*Appellee.*

---

## Answering Brief of Defendant-Appellee Oriental Foods, Inc.

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### I.

#### Introduction.

This is the answer on behalf of defendant-appellee Oriental Foods, Inc. (hereafter referred to as "defendant" or "Oriental") to the "Opening Brief of Plaintiffs-Appellees-Appellants" Chun King Sales, Inc., and Jeno F. Paulucci (hereafter jointly referred to as "plaintiffs" or "Chun King") in the appeal by Chun King from that portion of the judgment in this action relating to the claim for unfair competition.

## II.

### Counter-Statement of the Case.

#### A. Introduction.

The statement of the case made by Chun King in its opening brief is both incorrect and argumentative. The findings of fact and opinion of the trial court set out what was and was not *established* by Chun King. Plaintiffs' statement of the case merely set out that which Chun King *attempted* to establish at the trial.

#### B. The Issue.

The claim of unfair competition is based on alleged patterning by Oriental of the general dress, style, arrangement and appearance of the *combination units of two or more cans* of Oriental-type foods sold by Chun King, said patterning being allegedly for the purpose of deceiving the purchasing public [Complaint, Par. XVI, R. 8]. This is the only issue.

Although the Complaint alleges confusion by the public of the products of defendant with those of plaintiffs [Complaint, Par. XVII, R. 9], there was no evidence of any confusion whatever and the District Court so found as a fact [Finding 25, R. 87], and plaintiffs have not charged this finding to be erroneous. Consequently, the presence or lack of confusion is not an issue in this appeal. Plaintiffs' brief (p. 17) admits that *there is not even any evidence of any likelihood of confusion*.

Similarly, although the Complaint alleges that Chun King has been damaged by Oriental's alleged unfair competition [Pars. XVIII and XIX, R. 9-10], this was denied by defendant [Answer, Pars. XVIII and XIX, R. 16], there was no evidence of any damage to plaintiffs, and

the District Court made no finding with respect thereto. Consequently, this is not an issue.

There is no allegation in the Complaint that the purchasing public has ever come to identify Chun King's labels or any of the features thereof, or the color coding of its cartons, with Chun King, there was no evidence thereof, and there is no issue with respect thereto. The District Court expressly held that plaintiffs' labels have not become identified by the public with Chun King [Opinion, R. 80].

Plaintiffs use and prominently display on their products their trademark "Chun King," and Oriental uses and prominently displays on its products its trademark "Jan-U-Wine." There is no charge by plaintiffs of any trademark infringement, and plaintiffs' brief admits that this is not an issue in this case (p. 10).

The sole issue here is whether defendant has unfairly competed with plaintiffs. The District Court entered adequate findings of fact on this issue [Findings 25-31, R. 87-88]. Thus, the burden is on Chun King to establish that such findings of fact are "clearly erroneous" as required by Rule 52(a) of the Rules of Civil Procedure. Chun King has obviously failed to carry this burden.

### **C. Plaintiffs' Specifications of Error.**

Chun King's Specification of Error No. 9 does not correctly state the basis of the District Court's ruling, because the District Court did consider the makeup and combination of figures, script and coloring of the labels. Findings of Fact 27, 28 and 29 [R. 87] establish that the District Court considered the combination of colors, vignettes and words, the lettering, script, scrolls, and symbols and

the “*tout ensemble*” of the labels in finding that there was no simulation by Oriental and no confusing similarity between the labels of the parties. This consideration by the District Court is elaborated on at length in its Opinion [R. 74-81].

The Specification of Error No. 10 is also incorrect in that there is no finding and the record does not prove that “defendant by plan followed precisely the change and changing of labels of the plaintiffs” nor that defendant Oriental “brought out labels for its cans in precise duplication of the labels of the plaintiffs.” This specification of error is merely argumentative.

#### **D. The Facts.**

The chronological summary of Oriental’s business set out in Chun King’s Opening Brief has certain significant omissions. Therefore, the following statements are included to supplement the summary made in said Opening Brief.

Oriental has been merchandising Oriental-American foods in combination deals since 1935 [R. 499-500]. A “one-cent sale” sales promotion campaign was initiated by Oriental in June of 1949 [R. 252, 473-477; Exs. AE-1, AE-2, R. 680-683]. This sales campaign featured two cans taped together in end-to-end relation [R. 270-272]. There is no evidence that defendant copied plaintiffs in this selling practice.

Oriental first employed color codes on cartons to identify the contents of the cartons in the nineteen thirties [R. 483]. Starting in October, 1949, with the bean sprout cartons, Exhibit AF [R. 483], Oriental color coded all of its cartons as exemplified by Exhibit AG [R. 484-485].

In April, 1952, another change in carton design was initiated as exemplified by Exhibits AH and AI [R. 486]. The cartons for all of the products in the line were changed to correspond to Exhibits AH and AI, the most recent change occurring in September, 1955, with the mushroom chow mein carton [R. 268-271; Exs. 45, 34, 46, 47]. The earliest date claimed by plaintiffs' brief (p. 6) for the color-coding of cartons by Chun King is 1954. Thus, defendant had been color-coding its cartons for *many* years before Chun King started the practice.

Oriental used labels with vignettes to illustrate the contents of the can bearing the label in 1927 [R. 487]. The label, Exhibit AJ, is of the type first used in 1935 [R. 487-488]. The label, Exhibit AK, is of the type first used in 1948 [R. 488]. The labels, Exhibits AL-1 and AL-2, are of the type first used in February-April, 1950 [R. 489]. The labels, Exhibits AM-1, AM-2 and AM-3, are of the type first used in October, 1953 [R. 490]. Plaintiffs' Brief makes no contention that Chun King was the first to use vignettes of the contents on its cans, nor does it make any statement as to when Chun King first started to do so. The evidence is clear, however, that Oriental was the first to use such vignettes and that its use thereof progressed through a natural development from its own beginnings.

Oriental started to color-code its labels to indicate the contents of its cans between 1947 and 1949, as admitted by Plaintiffs' Brief (p. 7). This has continued to the present, through a number of changes in the format of the labels [R. 254-257]. There is no contention in Plaintiffs' Brief that Chun King has ever color-coded its labels, and there is no evidence to support such a contention.

It is to be noted that plaintiffs have limited their claim of label copying by the defendant to the year 1951 and subsequently [R. 240].

The District Court recognized in its Opinion that as to each of the significant distinctive identifying symbols defendant's use thereof preceded use by Chun King [R. 75, 81].

### III.

#### **The Argument.**

##### **A. Introduction.**

The Plaintiffs' Brief makes no attempt to show that any of the findings of fact of the District Court are erroneous, much less that they are clearly erroneous, as required by Rule 52(a) of the Rules of Civil Procedure. In fact, Plaintiffs' Brief does not mention the findings of fact except to say baldly that they were erroneous in its "Specification of Errors" (pp. 4-5). This, we suggest, does not comply with Rule 52(a) and the judgment in defendant's favor on the unfair competition issues should be affirmed on this ground alone.

Plaintiffs' Brief merely charges copying by defendant and speculates on the possibility of confusion. There is no evidence either of copying or the likelihood of confusion. In fact, the defendant was first in the field with all of the significant features of the labels and cartons, as pointed out by the District Court [R. 75, 81]. Plaintiffs' Brief (p. 17) admits the lack of any evidence as to the likelihood of confusion.

## B. Lack of Similarity of Labels.

A comparison of the labels of the parties clearly establishes that the labels are not confusingly similar and that there is no likelihood of confusion as to source.

The trademarks "Jan-U-Wine" and "Chun King," which are the dominant elements of the labels, are totally dissimilar, one being in conventional type and the other utilizing brush lines suggestive of Chinese writing. A dish of chop suey looks like a dish of chop suey, regardless of who employs its picture on the label. Textual material describing the contents of the cans and the manner of preparation of the food necessarily utilizes the same words, since both parties are selling the same products. The dominant use of their trademarks alone is clearly sufficient to distinguish the products of the parties.

The chronological review of the development of the labels and cartons of both parties, as set forth in Plaintiffs' Brief (pp. 6-7) and hereinabove (II(D)), clearly establishes that the defendant was first in the field with all of the dominant features questioned. It establishes: that defendant's labels and cartons were all logical commercial developments from its early labels and cartons, used by it long before 1951, which is the earliest date of copying claimed by plaintiffs [R. 240]; and that defendant's labels and cartons evolved without respect to the activities of Chun King. Copying was flatly denied by defendant's executive vice-president Mr. Hyun [R. 491].

The defendant was the first in its industry to use colors to identify its products [R. 255]. Defendant used vignettes of the contents of its cans on its labels as early as 1927 [R. 487-491] and in 1949 [R. 256], which was much earlier than any alleged use thereof by Chun King.

Defendant has color-coded its cartons to indicate the contents since 1949 [R. 483-487], again much earlier than Chun King, the plaintiffs' earliest use thereof shown in the evidence is in March, 1954 [R. 275].

If there were any basis for a claim of unfair competition by reason of any similarities in the features of the labels and cartons of the parties, Oriental would have such a claim against Chun King, not the reverse. No such claim is urged here by Oriental, other than by way of defense against the wholly unfounded contentions of Chun King.

**C. The District Court Properly Stated and Applied the Law.**

Plaintiffs' Brief (p. 10) charges that the District Court fell into error by disregarding the so-called indiscriminating prospective purchaser and confining its inquiry to buyers looking for brand names. We suggest that plaintiffs wholly misinterpret the Opinion of the District Court and that there is no basis for such a contention.

The District Court attempted to put itself in the position of the average buyer, saying:

"But, in determining likelihood to create confusion, the cases just cited teach that the tout ensemble of the article *as it appears to the average buyer* is to be considered" [R. 75].

"Where, as here, there is no evidence of actual confusion, the Court, in determining the likelihood of confusion, must attempt to 'approximate the position of an *ordinary purchaser*' " [R. 77].

Thus, there is no basis for such contention by the plaintiffs, as the District Court properly considered the evidence from the position of the average buyer.



Plaintiffs' Brief (p. 10) then goes on to assert that the District Court "in effect holds that no matter how similar the dress of the goods there is no unfair competition where the trademarks are different." Nothing could be further from the fact. The District Court considered at length the question of alleged similarities of dress apart from the trademarks of the parties, and held that "there is no confusing similarity here" [R. 74-81].

It must be remembered that there is no evidence here that the dress of plaintiffs' goods had in any way become identified in the mind of the public with Chun King, and the District Court held that ". . . plaintiffs' method of packaging or labelling has not become identified in the eyes of purchasers of Chinese foods with the plaintiffs' product" [R. 80]. Thus, as pointed out by the District Court, the dress of plaintiffs' goods has acquired no secondary meaning to the public. In the absence of such secondary meaning Chun King has no property right which is subject to protection.

The courts are quick to protect an established business against the inroads of a newcomer who copies the dress of the goods of the established business. That was the situation in all of the cases cited and quoted in Plaintiffs' Brief (pp. 10-16). That, however, is not the situation in the present case. As admitted in Plaintiffs' Brief (p. 6), Oriental was organized in 1928 and since has been engaged in canning and selling Chinese food, yet Chun King did not enter the field until May, 1947. Thus, here Oriental was the "first comer" and Chun King was the "late comer." Furthermore, Oriental was the first to use many of the label and carton features in contention here, as was so held by the District Court's Opinion [R. 75, 81]. Therefore, all of the cases cited in Plaintiffs' Brief

are clearly distinguishable from the situation in the present case and have no application here.

We submit that the District Court correctly stated and applied the law of unfair competition as it relates to the facts of the present case.

#### IV.

#### Conclusion.

This is an unfair competition action in which there is no evidence of confusion or likelihood of confusion between the labels and cartons of the defendant Oriental and those of the plaintiffs Chun King, and no evidence of any damage or injury to the plaintiffs.

Plaintiffs have not shown, or even alleged, any factual basis for any possible confusion by the public between the labels and cartons of the parties.

The District Court entered findings of fact fully supporting its judgment in favor of defendant, and plaintiffs have not shown that such findings are clearly, or otherwise, erroneous. In fact, we submit, plaintiffs have not even cast any doubt upon the correctness of the findings of fact.

We submit that the judgment in favor of the defendant on the unfair competition issues should be affirmed, with costs to the appellee Oriental.

Dated: February 7, 1957.

Respectfully submitted,

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WALTON EUGENE TINSLEY,

*Attorneys for Defendant-Appellee  
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No. 15104

IN THE

# United States Court of Appeals

FOR THE NINTH CIRCUIT

---

ORIENTAL FOODS, INC., a corporation,

*Appellant,*

*vs.*

CHUN KING SALES, INC. and JENO F. PAULUCCI,

*Appellees.*

---

CHUN KING SALES, INC. and JENO F. PAULUCCI,

*Appellants,*

*vs.*

ORIENTAL FOODS, INC., a corporation,

*Appellee.*

---

## REPLY BRIEF OF PLAINTIFFS-APPELLEES- APPELLANTS.

---

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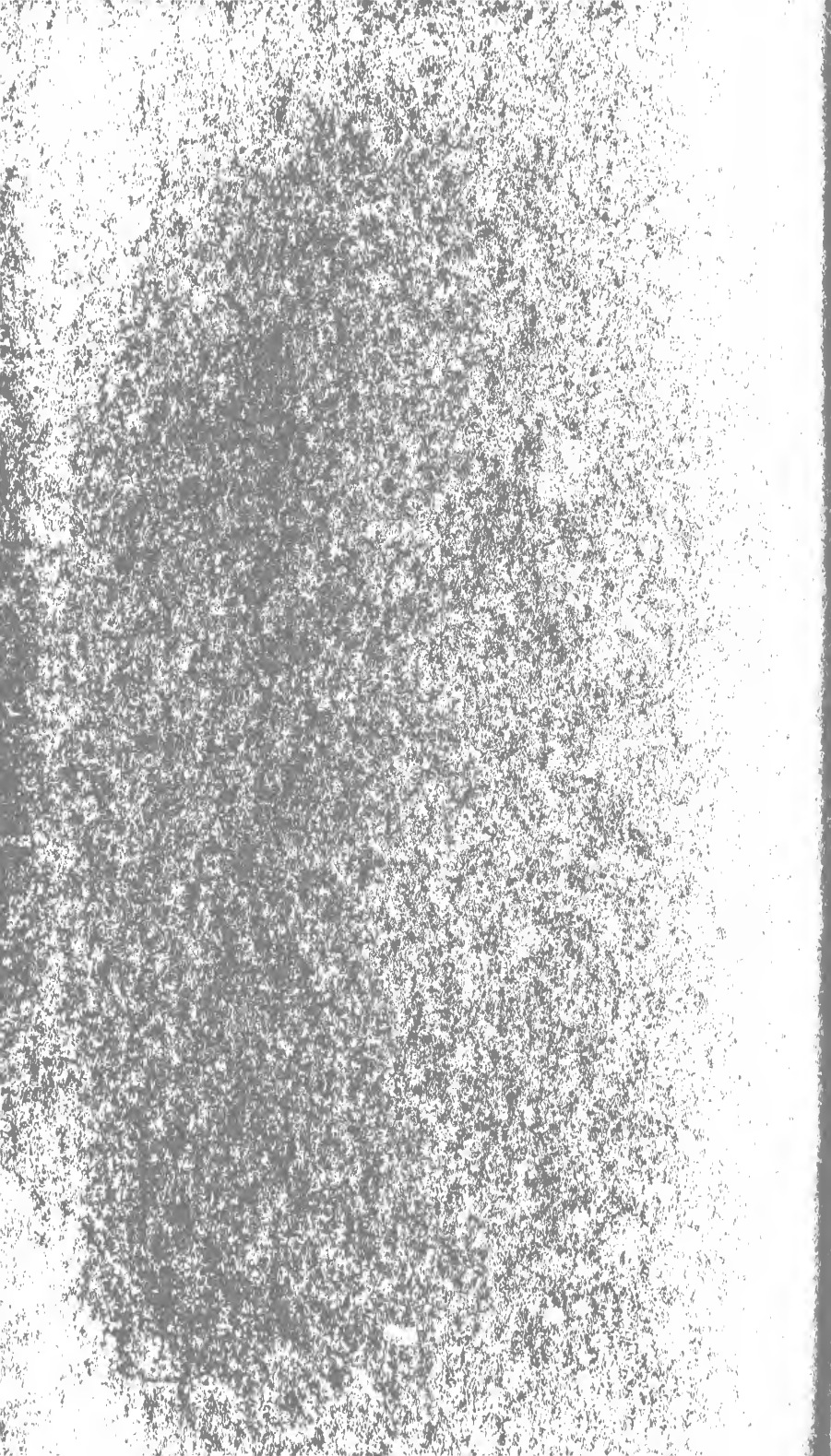
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FILE

FEB 19 1957

PAUL P. O'BRIEN, C



## AUTHORITY CITED

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No. 15104

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*vs.*

ORIENTAL FOODS, INC., a corporation,

*Appellee.*

---

## REPLY BRIEF OF PLAINTIFFS-APPELLEES- APPELLANTS.

---

Chun King submits this reply brief to clarify the issues pertaining to the claim of unfair competition. The answering brief of Oriental points out that Oriental was first engaged in the Chinese-American food business and had adopted labels and color coded its packing cartons before Chun King's entry into the business. Neither the brief nor the record suggests any reason why the prior labels and cartons of Oriental were abandoned. Neither the brief nor the record suggests any reason why, out of the substantially unlimited color combinations and arrangements available, Oriental adopted new labels and cartons so closely resem-

bling Chun King's. A mere comparison of, for example, Exhibits 3, 9 and 10 with their counterparts 3A, 9A and 10A, and their cartons 49, 50 and 51 with cartons 34, 45 and 46, illustrates the attempt of Oriental to simulate Chun King. Such similarity of color, style and arrangement is hardly coincidence, but shows a deliberate copying to promote confusion in the trade and facilitate palming off. It was admitted that Oriental was familiar with Chun King's labels a year and a half prior to abandoning its old labels and adopting the new accused labels [R. 266, 267].

Nowhere does Oriental offer any explanation for its departure from its prior packing and labeling practice, or how its newly adopted labels and cartons happened to embody the same color scheme, style and arrangement previously adopted by Chun King. The inescapable conclusion is that such labels and cartons were copied to promote confusion in the trade.

The Trial Court recognized this, although unaware of the consequences, in making Finding of Fact 30 [R. 88], "A casual buyer who did not buy by the brand name might pick up one can for the other."

The only reason that the Trial Court held against plaintiff was its belief that the law did not protect such purchasers: See Finding of Fact 26 [R. 87]:

"No appreciable number of prospective purchasers of these goods *of the class that the law protects* are likely to be confused as to the source thereof." (Emphasis added.)



Findings of Fact 27, 28, 29 and 31 all include within their scope the two trademarks "Chun King" and "Jan-U-Wine." The error of the Trial Court lies in its approach to the case as one of trademark infringement. This is an action for unfair competition. There is no claim that the trademarks "Chun King" and "Jan-U-Wine" are confusingly similar.

Oriental, in its answering brief, recognizes the real basis for the complaint. At page 9 of its brief it is stated:

"The courts are quick to protect an established business against the inroads of a newcomer who copies the dress of the goods of the established business. \* \* \*"

The Trial Court, however, misinterpreted the nature of the claim, stating in its opinion:

"So doing, we disregard what the Restatement calls 'the indiscriminating prospective purchaser,' *and are guided by the effect upon the person who looks for brand names.*" (Emphasis added.)

The Court, therefore, made an error of law as to the nature of the purchaser class the law of unfair competition protects. See *Chesebrough Mfg. Co. v. Old Gold Chemical Co., Inc.* (6 Cir., 1934), 70 F. 2d 383, and the remaining cases cited in Chun King's opening brief.

Thus, the record develops a situation where Chun King commenced the business of selling Chinese-American foods and developed distinctive labels and cartons for its products. Oriental, which had long been in the same business, upon seeing the great success of Chun King, abandons its

long-used labels and cartons and adopts new labels and cartons closely resembling those of its new, vigorous competitor for the purpose of promoting confusion in the minds of the purchasing public and to trade upon the goodwill of Chun King. A clear case of unfair competition has been established, requiring reversal of the portion of the Trial Court's judgment dismissing the unfair competition claim.

Respectfully submitted,

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No. 15,104.

IN THE

# United States Court of Appeals

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*Appellant,*

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CHUN KING SALES, INC. and JENO F. PAULUCCI,

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Reply Brief of Appellant Oriental Foods, Inc.

---

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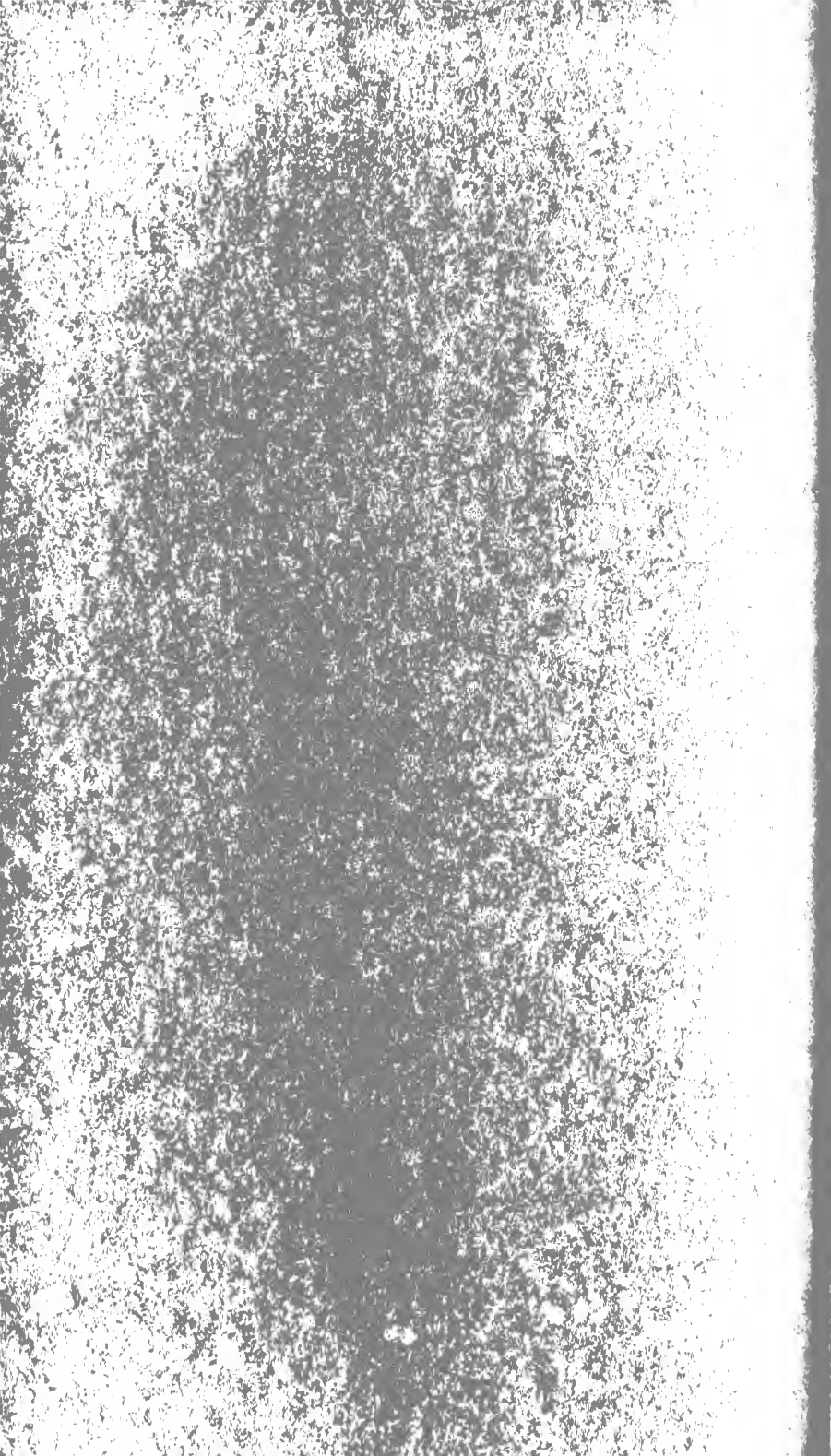
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FILE

FEB 25 1957

PAUL P. O'BRIEN, C



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No. 15,104.

IN THE

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ORIENTAL FOODS, INC., a corporation,	<i>Appellant,</i>
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<i>vs.</i>	
ORIENTAL FOODS, INC., a corporation,	<i>Appellee.</i>

---

Reply Brief of Appellant Oriental Foods, Inc.

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**Introduction.**

This is the reply of appellant-defendant Oriental Foods, Inc., to the "Answering Brief of Plaintiffs-Appellees-Appellants," sometimes referred to hereinafter for convenience as "Appellees' Brief."

Appellees' Brief is significant in the following general respects:

(a) Appellees' Brief ignores and does not attempt to answer many of the principal contentions of our Opening Brief; and

(b) Appellees' Brief consists largely of statements unsupported by the record.

Most of the major contentions of Appellees' Brief have been answered in advance by Appellant's Opening Brief. Some require further comment herein. All emphasis is ours unless otherwise noted.

### **There Was No Need in the Art.**

Appellees' Brief (pp. 2-3) argues that there was a need in the art for the method of claim 1 of the Paulucci patent in suit. There is no evidence in this action to support such a contention.

Defendant Oriental started hand taping cans together in June, 1949, continued until early in 1950 [R. 270-272, 468-469, 472-474], and sold thousands of cases of cans so taped during this period [R. 470, 475-482]. There is no evidence that any of such hand taping was unsatisfactory, and Oriental recommenced hand-taping in 1954 [R. 472, 492, 495], and does so in the same manner today [R. 469, 472]. Defendant purchased its Dellenbarger machine by an order dated May 3, 1954 [R. 100] but did not start using it until September, 1954 [R. 153]. Even after defendant got the Dellenbarger machine, it continued to hand-tape cans together.

Plaintiff Chun King started taping cans together in June, 1949, by a hand method which it asserts was not covered by the Paulucci patent in suit, and continued to do so until about the end of August, 1951, as we pointed out in our Opening Brief (pp. 6-8). During this period, plaintiff sold thousands of cases of cans so taped together, and its sales of the product increased substantially, there being a steady growth in sales [R. 419-421]. Plaintiff Paulucci testified that Chun King's fiscal year ends June 1, that in the year ending June 1, 1950, its



sales amounted to about \$1,250,000, and in the year ending June 1, 1951, its sales were \$3,500,000 [R. 189-190]. Thus, Chun King's sales increased very substantially each year that it taped cans before use of the alleged invention of the patent in suit. This, we suggest, clearly shows that the plaintiffs' old method was entirely satisfactory.

Plaintiffs called no disinterested witness to testify to any inadequacies in either its or Oriental's early hand-taped products, or to any need in the art.

### **The Method of the Paulucci Patent in Suit Did Not Fill Any Need.**

There is no evidence in this case that either plaintiffs, defendant, or anyone else ever commercially used the method defined by claim 1 and described in the specification of the Paulucci patent in suit.

"Step 2" of claim 1 requires that a *portion* of the tape be stretched before *any* is applied to the cans; and that said portion is applied while in such stretched condition (Our Op. Br., pp. 4-5, 29). Appellees' Brief (p. 18) asserts that this is an *essential step* of the patented method.

There is no contention by Chun King that it has ever used any method including such a step, and the evidence is that in the only method actually used by Chun King since August, 1951, no portion of the tape is stretched before the initial application to the cans; in the Chun King commercial method the loose end of tape is merely "tabbed" or pressed onto the cans before *any* tension is applied.

### The Operation of the Accused Machine.

Appellees' Brief (p. 5) admits that the defendant's witnesses Peterson and Johnson described the defendant's accused Dellenbarger machine. Appellees' Brief does not in any respect challenge or criticize their testimony, and apparently accepts it entirely. Plaintiffs called no witness to describe the construction or operation of the Dellenbarger machine. Consequently, there is no conflict in the evidence as to its construction and operation. The testimony of Peterson and Johnson clearly establishes that the operation of the Dellenbarger machine does not include the specific steps of the Paulucci patent in suit, as we pointed out in detail in our Opening Brief (pp. 15-19, 28-34).

Appellees' Brief (pp. 5-7) characterizes the roller *C* shown in Exhibit 21 as a "tensioning" roller, but this characterization has no support whatever in the evidence. In fact, the evidence is clearly to the contrary. Engineer Johnson clearly explained that the clutch roller *C* operates freely to allow the tape to be applied to the cans but has a one-way clutch mechanism to prevent the roller reversing its rotation, so as to prevent the tape from pulling out in the reverse direction [R. 322, 346-347]. The uncontroverted evidence is that in the operation of the Dellenbarger machine there is *no* tension on the tape until long after it has been initially applied to the cans, and until the initial "free loop" of tape has been taken up as shown in Exhibit X-3 [R. 678], as pointed out by engineer Johnson [R. 330, 332].

Appellees' Brief (p. 7) also asserts that in the Dellenbarger machine the "pre-stripping roller" *A* serves to greatly increase tension on the tape and that this is suf-

ficient to stretch the tape. There is absolutely no support for this contention in the evidence and, in fact, the evidence is to the contrary. The function of the “pre-stripping” roller *A* is merely to provide a loose “free loop” of tape to insure that there will be *no tension* on the tape when it is initially wiped onto the cans [R. 332]. Of course, during the latter part of the cycle of operation of defendant’s machine, as shown in Exhibits X-4 and X-5 [R. 678, 679], some tape is stripped from the roll of tape *T*, and this requires a slight pull, as anyone knows who has ever pulled “Scotch” brand sticky tape from a roll. However, such pull or tension is insufficient in defendant’s machine to *stretch* the tape [R. 345], as required by claim 1.

However, as above pointed out the “essential step” of the method of claim 1 is what is referred to both by appellant and appellees as step 2, which calls for:

“ . . . stretching a portion of a slightly resilient sticky tape and applying said portion of said tape over portions of the abutting beads and adjacent side walls of said cans *while the tape is in a stretched condition to secure said cans together.* . . .”

This step can only refer to the “portion” of tape which is *first* applied to the cans as set forth in the specification of the Paulucci patent (Our Op. Br., pp. 4 and 5 and 29). Since this “essential step” is entirely lacking in the alleged infringing operation of the Dellenbarger machine as pointed out in our Opening Brief, pages 16-17, appellees have elected to ignore this fact, even to the extent of *omitting the essential clause* emphasized above in their statement of this portion of claim 1 at the bottom of page 6 of their Brief, and have merely attempted to show that the tape is stretched somewhere or at some time

during the operation. The most they are able to show is that the tape is pulled enough to remove it from the supply roll. This slight tension would have to be used in *any* use of the tape, including the admittedly prior uses of both Chun King and Oriental. Accordingly, appellees have entirely failed to show that appellant's use of the Dellenbarger machine utilized the "essential step" of claim 1 of the Paulucci patent.

In attempting to lift the method of claim 1 of the Paulucci patent to valid patentable dignity appellees assert (pp. 3 and 4) as a "new, startling and highly unexpected result" that:

"In applying the tape over the irregular contour of the heads of the cans and onto the side walls thereof while in a stretched condition, the tape was *extended transversely of its length. . . .*"

and that:

"Such transverse extension of the tape and the force resulting therefrom is a completely unexpected and surprising result."

Appellees then rely upon this "phenomenon" to (a) establish infringement of the Dellenbarger machine (p. 7); (b) avoid anticipation by Chun King's own prior use (p. 14) and the prior use by Oriental (p. 15); (c) avoid anticipation by the Nifong patent (p. 18); and finally (d) in their concluding summary as establishing novelty and utility (p. 19).

If this "new, startling and highly unexpected result," *i. e.*, that by applying *lengthwise* tension to a length of "slightly resilient" tape is could be "*extended transversely of its length*" were in fact true, it would indeed be as above characterized since it would be directly contrary to

all previously established laws of physics. However, there is absolutely nothing in the record to sustain this alleged "discovery." It is not mentioned or even suggested in either the specification or any claim of the Paulucci patent. There is no testimony of any witness even suggesting such an amazing situation. Appellees' counsel did not realize its existence and in fact in his final argument [R. 507] went to considerable pains first to point out "that there is *no stretching* of the tape at its edges on the opposite sides of the beads, but the tape is actually stretched so that it is permanently deformed in its central portion"; and to emphasize as "a very important factor" and as "the factor of invention in this case" the application of "that quantum of tension to the tape as the cans are rolled, and in *a direction of following the tangent* at the point of application of the tape so that the tape in that center portion is stretched and permanently deformed. . . ." Appellees' counsel was clearly asserting that, due to the irregular cross-section of the beads the tape was being stretched *longitudinally* more in the center of the strip than at the edges thereof. He was not even suggesting *extension* of the tape *transverse* to its length which is now asserted as the amazing discovery which imparts invention to the claim here in issue. This "discovery" springs full blown for the first time in this record in Finding of Fact 7 [R. 83]. The accuracy of this Finding of Fact is an issue of this appeal and, because of appellees' extensive reliance upon it as above noted it becomes a very important issue.

Since as above pointed out there is no shred of evidence in the record to support this finding or even any assertion of the alleged "fact," it should be held to be in error as being clearly unsupported by the record.

*Appellees do not even attempt to explain how the “new, startling and highly unexpected” result is obtained, obviously because they cannot do so since it is non-existent.*

### **Interpretation of the Paulucci Patent in Suit.**

Appellees’ Brief (pp. 9-12) argues that the doctrine of file-wrapper estoppel does not apply to this case, upon the fine-spun technicality that although Paulucci submitted claim 4 of his application to the Patent Office, had it rejected by the Patent Office, and concurred in accepting his patent without it, still he technically had no appeal from the rejection. Such reasoning should receive short shrift from a court of equity, we suggest.

The proceedings had in the Patent Office with respect to such proposed claim 4 clearly indicate the interpretation put upon claim 1 by both the Office and the applicant, and clearly define the metes and bounds of the patent grant. Appellees assert no logical reason why such proceedings should not create a file-wrapper estoppel, and cite no authority in support of their assertion. The case of *Musher Foundation, Inc. v. Alba Trading Co., Inc.*, 150 F. 2d 885, cited by appellees, has no application here, because in that case the applicant merely made a voluntary selection between *allowed* claims, the cancelled claims never having been rejected by the Patent Office.

Had Paulucci wished to press for the allowance of claim 4 of his application, he could have pursued either of two courses: (a) he could have petitioned the Commissioner of Patents for a review of the Examiner’s rejection of claim 4; or (b) he could have filed a continuation application containing claim 4, and if claim 4 were rejected therein, he could have prosecuted appeals as far as the Supreme Court of the United States to review

such rejection. Paulucci followed neither of these courses. He merely accepted his patent without claim 4 therein.

By accepting his patent without his proposed claim 4 Paulucci *acquiesced* in the rejection of the claim by the Patent Office. Such acquiescence by a patent applicant in a rejection by the Patent Office is the basis of all file-wrapper estoppel.

For the reasons set forth in our Opening Brief (pp. 29-31), we suggest that the doctrine of file-wrapper estoppel limits the interpretation to be placed on claim 1 of the patent in suit so that it is not infringed by defendant Oriental. It should be noted, however, that it is not necessary to apply the file-wrapper estoppel doctrine to hold that defendant does not infringe, because merely by interpreting claim 1 at its face value defendant's Dellenbarger machine does not utilize the method of claim 1.

It is also to be noted that the statements by Paulucci's attorney to the Patent Office as to how infringement of claim 1 of the patent in suit can be avoided [R. 579, 582], may be used here to indicate the construction that should be given to claim 1. See *Warren Bros. Co. v. Thompson*, 293 Fed. 745, 747 (C. C. A. 9th, 1923); *Schneitzer v. Calif. Corrugated Culvert Co.*, 140 F. 2d 275 (C. C. A. 9th, 1944.)

### **The Johnson Patent No. 2,652,166.**

As pointed out in our Opening Brief (pp. 42-44), the evidence establishes that Johnson patent No. 2,652,166 shows a taping mechanism substantially the same as that embodied in defendant's accused Dellenbarger machine, which operates in substantially the same way to produce substantially the same result. If the operation of the Dellenbarger machine infringes the Paulucci patent in

suit, the Johnson patent anticipates it, because “that which infringes if later, anticipates if earlier.”

Appellees’ Brief (pp. 16-17) attempts to point out some structural differences between the mechanisms of the Johnson patent and the Dellenbarger machine. There is no evidence that any such possible differences produce any difference in the operations of the mechanisms. The identity of function of the two mechanisms was established by the technical witnesses Peterson and Johnson [R. 305-306, 333-334, 343] and there was no conflicting evidence.

There are two significant erroneous statements in Appellees’ Brief in this connection.

First, Appellees’ Brief (p. 17) asserts that there was no “pre-stripping roller” in the Johnson patent. This is clearly wrong, because the Johnson patent clearly describes a “pre-stripping roller” 122, similar to the pre-stripping roller in defendant’s machine [Johnson patent, R. 659, col. 6, lines 21-66].

Secondly, Appellees’ Brief (p. 17) asserts that the roller *C* of defendant’s machine [Ex. 21-C] is serrated longitudinally, whereas the corresponding roller 73 of the Johnson patent is not serrated. This is correct, but appellees’ statement that such serrations increase the tension on the tape is wholly unsupported by the record and is contrary to the uncontroverted evidence [R. 346-348, 351-352].

### **The Nifong Patent No. 2,120,504.**

Appellees’ Brief (p. 18) attempts to avoid the pertinency of the Nifong patent No. 2,120,504 [R. 608] on the ground that Nifong “does not put enough tension on the tape to stretch the same *prior to application* to



the cans.” Obviously, this is a direct admission by appellees that claim 1 of the Paulucci patent in suit is limited to a method in which tension is put on a portion (the loose end) of the tape before the tape is applied to the cans. If the Paulucci patent in suit is so limited, as we fully agree it is, the accused Dellenbarger machine does not infringe because it does not put any tension on the tape before initial application to the cans, as we pointed out in our Opening Brief (pp. 16-17, 29-32).

Appellees admit (by failing to deny) that in the operation of the mechanism of the Nifong patent tension is applied to the tape as it is wound on the cans and that it is sufficient to cause the tape to pass around the irregular contour of the bead 146 to smoothly engage the side walls of the can and top, as pointed out in our Opening Brief (pp. 20, 45-46). This is exactly what plaintiffs’ counsel asserted was the alleged invention of the Paulucci patent in suit [R. 111, 115].

### Conclusion.

We submit that Appellees’ Brief does not answer the principal contentions made by appellant Oriental Foods, Inc., on this appeal, and that the decision of the District Court on the patent issues should be reversed for the reasons stated in our Opening Brief.

Dated: February 23, 1957.

Respectfully submitted,

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No. 15106

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United States  
Court of Appeals  
for the Ninth Circuit

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RICAREDO BERNABE DELA CENA,  
Appellant,  
vs.

UNITED STATES OF AMERICA,  
Appellee.

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Transcript of Record

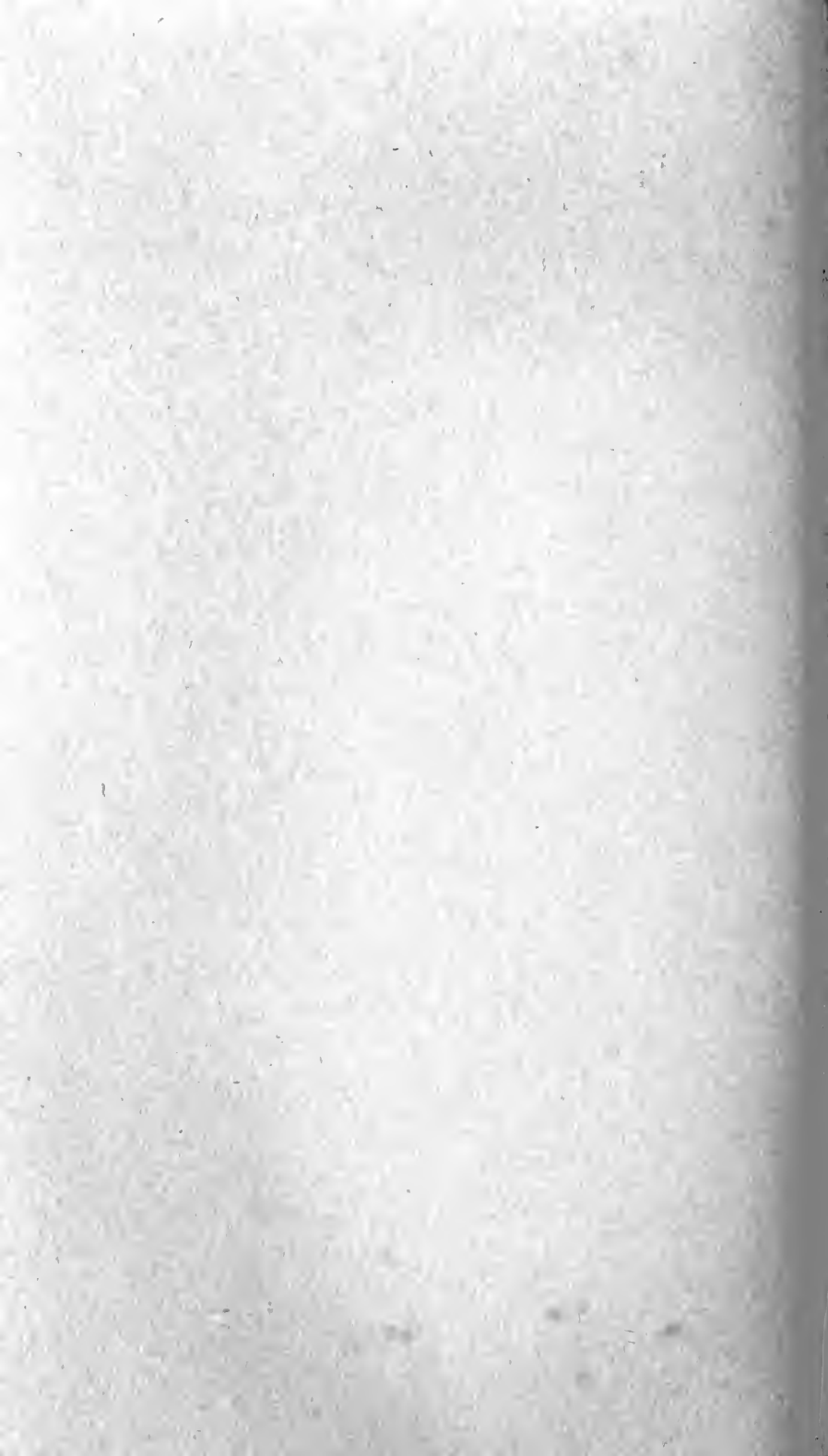
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Appeal from the United States District Court  
for the District of Hawaii

FILED

JUN -8 1956

PAUL P. O'BRIEN, CLERK



No. 15106

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United States  
Court of Appeals  
for the Ninth Circuit

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vs.

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Transcript of Record

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[Clerk's Note: When deemed likely to be of an important nature, errors or doubtful matters appearing in the original certified record are printed literally in *italic*; and, likewise, cancelled matter appearing in the original certified record is printed and cancelled herein accordingly. When possible, an omission from the text is indicated by printing in *italic* the two words between which the omission seems to occur.]

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1. The first part of the paper is devoted to a general discussion of the problem of the existence of a solution of the system of equations

$$\begin{aligned} & \Delta u = f(x, y, z, u, v, w, \dots) \\ & \Delta v = g(x, y, z, u, v, w, \dots) \\ & \Delta w = h(x, y, z, u, v, w, \dots) \end{aligned}$$

where  $\Delta$  is the Laplace operator,  $f, g, h$  are given functions, and  $u, v, w, \dots$  are unknown functions.

2. In the second part, we consider the case where the functions  $f, g, h$  are linear in the unknown functions  $u, v, w, \dots$ .

3. In the third part, we consider the case where the functions  $f, g, h$  are nonlinear in the unknown functions  $u, v, w, \dots$ .

4. In the fourth part, we consider the case where the functions  $f, g, h$  are periodic in the unknown functions  $u, v, w, \dots$ .

5. In the fifth part, we consider the case where the functions  $f, g, h$  are analytic in the unknown functions  $u, v, w, \dots$ .

6. In the sixth part, we consider the case where the functions  $f, g, h$  are continuous in the unknown functions  $u, v, w, \dots$ .

7. In the seventh part, we consider the case where the functions  $f, g, h$  are bounded in the unknown functions  $u, v, w, \dots$ .

8. In the eighth part, we consider the case where the functions  $f, g, h$  are Lipschitz continuous in the unknown functions  $u, v, w, \dots$ .

9. In the ninth part, we consider the case where the functions  $f, g, h$  are differentiable in the unknown functions  $u, v, w, \dots$ .

10. In the tenth part, we consider the case where the functions  $f, g, h$  are twice differentiable in the unknown functions  $u, v, w, \dots$ .

11. In the eleventh part, we consider the case where the functions  $f, g, h$  are three times differentiable in the unknown functions  $u, v, w, \dots$ .

12. In the twelfth part, we consider the case where the functions  $f, g, h$  are four times differentiable in the unknown functions  $u, v, w, \dots$ .

13. In the thirteenth part, we consider the case where the functions  $f, g, h$  are five times differentiable in the unknown functions  $u, v, w, \dots$ .

14. In the fourteenth part, we consider the case where the functions  $f, g, h$  are six times differentiable in the unknown functions  $u, v, w, \dots$ .

15. In the fifteenth part, we consider the case where the functions  $f, g, h$  are seven times differentiable in the unknown functions  $u, v, w, \dots$ .

16. In the sixteenth part, we consider the case where the functions  $f, g, h$  are eight times differentiable in the unknown functions  $u, v, w, \dots$ .

17. In the seventeenth part, we consider the case where the functions  $f, g, h$  are nine times differentiable in the unknown functions  $u, v, w, \dots$ .

18. In the eighteenth part, we consider the case where the functions  $f, g, h$  are ten times differentiable in the unknown functions  $u, v, w, \dots$ .



## NAMES AND ADDRESSES OF ATTORNEYS

For the Petitioner:

HOWARD K. HODDICK, ESQ.,

320 Damon Building,  
Honolulu, T. H.

For the Government:

LOUIS B. BLISSARD, ESQ.,

United States Attorney,

CHARLES B. DWIGHT, III,

Asst. U. S. Attorney,

Federal Building,  
Honolulu, Hawaii



Original

United States Department of Justice  
Immigration and Naturalization Service

No. 17365-M

PETITION FOR NATURALIZATION

(Under act of June 30, 1953, P. L. 86, 83d Congress,  
by a member or former member of the Armed  
Forces)

To the Honorable the Judge, U. S. District Court of  
District of Hawaii at Honolulu, T. H.:

This petition for naturalization, hereby made and  
filed, respectfully shows:

(1) My full true and correct name is Ricaredo  
Bernabe Dela Cena (No-fee P.L. 86).

(2) My present place of residence is Barber's  
Pt., Oahu, T. H.

(3) I was born on Feb. 1, 1925 in Mambusao,  
Capiz, Rep. Phil.

(4) My personal description is as follows: Sex  
male, complexion dark, color of eyes brown, color of  
hair black, height 5 feet 2¼ inches, weight 133  
pounds, visible distinctive marks mole, right side of  
neck; country of which I am a citizen, subject, or  
national Rep. Phil.

(5) I am not married.

(6) I have no children.

(7) I was lawfully admitted to the United States

at San Francisco, Calif., under the name of Ricaredo Bernabe Dela Cena on April 1, 1954 on the Gen. M. Patrick.

(8) I actively served honorably in U. S. Army under Service No. 10312086 from Mar. 5, 1946, to Feb. 11, 1949, and the U. S. Navy under Service No. 4679261 from Mar. 8, 1954 to present.

(9) I desire to have my name changed to Rick Delacena.

(10) It is my intention in good faith to become a citizen of the United States and to renounce absolutely and entirely all allegiance and fidelity to any foreign prince, potentate, state, or sovereignty of whom or which at this time I am a subject or citizen.

(11) It is my intention to reside permanently in the United States.

(12) I am not and have not been for a period of at least 10 years immediately preceding the date of this petition a member of or affiliated with any organization proscribed by the Immigration and Nationality Act or any section, subsidiary, branch affiliate, or subdivision thereof nor have I during such period engaged in or performed any of the acts or activities prohibited by that Act.

(13) I am able to read, write, and speak the English language (unless exempted therefrom).

(14) I am, and have been during all the periods required by law, a person of good moral character, attached to the principles of the Constitution of the United States, and well disposed to the good order

and happiness of the United States. I am willing, if required by law, to bear arms on behalf of the United States, or to perform noncombatant service in the Armed Forces of the United States, or to perform work of national importance under civilian direction (unless exempted therefrom).

(15) Attached hereto and made a part of this, my petition for naturalization, are the affidavits of at least two verifying witnesses required by law.

I, aforesaid petitioner, do swear (affirm) that I know the contents of this petition for naturalization subscribed by me, that the same are true to the best of my knowledge and belief, and that this petition is signed by me with my full, true name: So Help Me God.

Alien Registration No. 8961320.

/s/ RICAREDO BERNABE DELA CENA

#### Certificate of Examination

I Certify that the petitioner and witnesses named herein appeared before me and were examined by me prior to the filing of this petition.

/s/ STEPHEN A. DURISCH,  
U. S. Naturalization Examiner.

No-fee P.L. 86

#### Affidavit of Witnesses

The following witnesses, each being severally, duly, and respectively sworn, depose and say:

My name is Robert L. Colbert DK/1.

I reside at Barber's Pt., Oahu, T. H.

My name is John G. Bates, DK/2.

I reside at Barber's Pt., Oahu, T. H.

I personally know the petitioner named in this petition for naturalization, of which this affidavit is a part, to be a person of good moral character, attached to the principles of the Constitution of the United States, and well disposed to the good order and happiness of the United States, and that he is now and has been for at least 90 days actively serving honorably in the Armed Forces of the United States.

I do swear (affirm) that the statements of fact I have made in this affidavit of this petition for naturalization subscribed by me are true to the best of my knowledge and belief: So Help Me God.

/s/ ROBERT L. COLBERT

/s/ JOHN G. BATES

Subscribed and sworn to before me by the above-named petitioner and witnesses in the respective forms of oath shown in said petition and affidavit in the office of the Clerk of said Court at Honolulu, T. H., this 2nd day of September, A. D. 1955.

[Seal]        /s/ E. LANGWITH,  
Deputy Clerk.

\* \* \* \* \*

Petition denied: List No. 1199 (12-22-55).

Original

List No. 1199

Sheet No. 1

**NATURALIZATION PETITIONS RECOMMENDED TO BE DENIED**

To the Honorable the Judge, United States District Court of District of Hawaii, sitting at Honolulu, Hawaii.

Stephen A. Durisch, duly designated under the Immigration and Nationality Act to conduct preliminary examinations upon petitions for naturalization to the above-named Court and to make findings and recommendations thereon, has personally examined under oath at a preliminary examination the following twenty-two (22) petitioners for naturalization and their required witnesses, has found for the reasons stated below, that such petitions should not be granted, and therefore recommends that such petitions be denied.

No. 1. Petition No.: Transfer #34, Name of Petitioner: Filifili Leasau, Reason for Denial: Withdrawn by petitioner.

No. 2. Petition No.: Transfer #41, Name of Petitioner: Santiago Aguda, Reason for Denial: Withdrawn by petitioner.

No. 3. Petition No.: 11364, Name of Petitioner: Clemente Caindoy Espere, Reason for Denial: Lack of prosecution.

No. 4. Petition No.: 13186, Name of Petitioner: Benjamin Cacho Cordero, Reason for Denial: Withdrawn by petitioner.

No. 5. Petition No.: 14238, Name of Petitioner: Regino Ocasion, Reason for Denial: Lack of prosecution.

No. 6. Petition No.: 14305, Name of Petitioner: Felipe Javier Agustin, Reason for Denial: Lack of prosecution.

No. 7. Petition No.: 14466, Name of Petitioner: Nuuelua Pupu Sepulona, Reason for Denial: Petitioner lacks knowledge and understanding of the fundamentals of the history and form of government of the United States.

No. 10. Petition No.: 15085, Name of Petitioner: Teofilo Manzano, Reason for Denial: Lack of prosecution.

No. 11. Petition No.: 15111, Name of Petitioner: Eugenio Delacruz, Reason for Denial: Withdrawn by petitioner.

No. 12. Petition No.: 15661, Name of Petitioner: Regino Corpuz Ponce, Reason for Denial: Lack of prosecution.

No. 13. Petition No.: 16650, Name of Petitioner: Gerardo Pascua Regidor, Reason for Denial: Failed to establish good moral character during the period required by law.

No. 15. Petition No.: 16756, Name of Petitioner: Vicente Danao Palparan, Reason for Denial: Lack of prosecution.

No. 16. Petition No.: 16760, Name of Petitioner: Marciano Cruz Ulep, Reason for Denial: Withdrawn by petitioner.

No. 17. Petition No.: 16916, Name of Petitioner:



Juan Tabar, Reason for Denial: Withdrawn by petitioner.

No. 18. Petition No.: 16974, Name of Petitioner: Erenio Talang Banac, Reason for Denial: Lack of prosecution.

Respectfully submitted,

/s/ STEPHEN A. DURISCH

Date: December 22, 1955.

List No. 1199

Sheet No. 2

Naturalization Petitions Recommended  
To Be Denied—Continued

In the United States District Court of District of  
Hawaii

No. 1. Petition No.: 17011, Name of Petitioner: Matsukichi Yara, Reason for Denial: Lack of prosecution.

No. 3. Petition No.: 17223, Name of Petitioner: Ambrosio Arinto Rohas, Reason for Denial: Lack of prosecution.

No. 5. Petition No.: 17224, Name of Petitioner: Tomas Padilla Soriano, Reason for Denial: Petitioner is unable to take the oath of allegiance required by section 337 of the Immigration and Nationality Act.

No. 10. Petition No.: 17313, Name of Petitioner: Silvino Uddipa Arce, Reason for Denial: Lack of prosecution.

No. 12. Petition No.: 17365-M, Name of Petitioner: Ricardo Bernabe Dela Cena, Reason for Denial: Not entitled under any statute.

No. 15. Petition No.: 17379-M, Name of Petitioner: Janis Lapsins, Reason for Denial: Lack of prosecution.

No. 17. Petition No.: 17433-M, Name of Petitioner: Perfecto Solano Marino, Reason for Denial: Withdrawn by petitioner.

Second sheet of two sheets of the list dated December 15, 1955, of 22 petitioners for naturalization.

Respectfully submitted:

/s/ STEPHEN A. DURISCH

December 22, 1955.

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(Original)

Order No. 1199

ORDER OF COURT DENYING PETITIONS  
FOR NATURALIZATION

United States of America,  
Territory of Hawaii—ss.

In the United States District Court of District of  
Hawaii at Honolulu, T. H.

Upon consideration of the petitions for naturalization recommended to be denied, listed on List No. 1199 sheets 1 to 2 dated December 22, 1955, presented in open Court this 22d day of December, A. D., 1955, It Is Hereby Ordered that each of the

said petitions, except those petitions listed below, be, and hereby is, denied.

\* \* \* \* \*

It Is Further Ordered that petitions listed below be continued for the reasons stated.

1. Petition No.: 15085, Name of Petitioner: Teofilo Manzano, Cause of Continuance: For further consideration of documents submitted.

3. Petition No.: 16974, Name of Petitioner: Erenio Talan Banac, Cause of Continuance: Has not had 30 days' notice.

4. Petition No.: 17313, Name of Petitioner: Silvino Uddipa Arce, Cause of Continuance: Has not had 30 days' notice.

By the Court, this 22d day of December, 1955.

/s/ J. FRANK McLAUGHLIN,  
Judge.

In the District Court of the United States  
for the District of Hawaii

Petition No. 665-P-17365-M

Petition for naturalization

of

RICAREDO BERNABE DELA CENA

FINDINGS OF FACT, CONCLUSIONS OF  
LAW, AND RECOMMENDATION OF DES-  
IGNATED NATURALIZATION EXAM-  
INER

To the Honorable, the Judges of the United States  
District Court for the District of Hawaii:

1. The undersigned, duly designated under the Immigration and Nationality Act to conduct preliminary examinations upon petitions for naturalization, respectfully submits that the above-named petitioner, a native and national of the Philippine Republic, age thirty years, who has resided continuously in the United States since his arrival in the United States as an enlisted man in the United States Navy on April 1, 1954 filed the petition for naturalization numbered above on September 2, 1955 under Public Law 86, 83rd Congress, 8 U.S.C. 1440a.

The question presented is whether the petitioner may be naturalized without lawful arrival for permanent residence.

2. On September 2, 1955, following the filing of

the petition for naturalization, the petitioner and his verifying witnesses were accorded a preliminary examination at which they testified under oath. It was established by oral testimony that the petitioner's first arrival in the United States was at San Francisco, California on April 1, 1954 as a seaman in the United States Navy, without immigration inspection. It was further established by testimony and the production of the document itself that the first naturalization application of this petitioner was submitted on October 3, 1954. Also it was established from oral testimony and documents that the petitioner served in the United States Army from March 5, 1946 to February 11, 1949, and that the enlistment and the service were in the Philippine Islands. It was further established that the petitioner enlisted in the United States Navy in the Philippine Islands on March 8, 1954, from which date the petitioner has served in the United States Navy.

3. In order to permit the petitioner to bring his case before the court the petition was filed under the Act of June 30, 1953, Public Law 86, 83rd Congress, 8 U.S.C. 1440a. Nevertheless, it is the desire of the petitioner to have the court consider not only the question whether he is entitled to file a petition under the particular statute alleged, but whether he is entitled to be naturalized under any law.

I will assume that the court will consider all statutes past, and present that might have any application, and I will discuss them all, and ignore the fact that under some statutes considered a fee for filing is to be paid to the Clerk of the Court, and that the

present petition is filed as a no fee Public Law 86 case.

First as to the law under which the petition is filed, 8 U.S.C. 1440a, reads as follows:

“Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, notwithstanding the provisions of sections 310(d) and 318 of the Immigration and Nationality Act, any person, not a citizen, who, after June 24, 1950, and not later than July 1, 1955, has actively served or actively serves, honorably, in the Armed Forces of the United States for a period or periods totaling not less than ninety days and who (1) having been lawfully admitted to the United States for permanent residence, or (2) having been lawfully admitted to the United States, and having been physically present within the United States for a single period of at least one year at the time of entering the Armed Forces, may be naturalized on petition filed not later than December 31, 1955, upon compliance with all the requirements of the Immigration and Nationality Act, except that——

“(a) he may be naturalized regardless of age;

“(b) no period of residence or specified period of physical presence within the United States or any State after entering the Armed Forces shall be required: Provided, That there shall be included in the petition the affidavits of at least two credible witnesses, citizens of the United States, stating that each such witness personally knows the petitioner to be a person of good moral character, attached to the principles of the Constitution of the United States

and well disposed to the good order and happiness of the United States;

“(c) the petition for naturalization may be filed in any court having naturalization jurisdiction regardless of the residence of the petitioner;

“(d) Notwithstanding section 336(c) of the Immigration and Nationality Act, the petitioner may be naturalized immediately if prior to the filing of the petition, the petitioner and the witnesses shall have appeared before and been examined by a representative of the Immigration and Naturalization Service; and

“(e) no fee, except that which may be required by State law, shall be charged or collected for making, filing, or docketing the petition for naturalization, or for the final hearing thereon, or for the certificate of naturalization, if issued.

“Service in the Armed Forces of the United States may be proved by a duly authenticated copy of the record of the executive or military department having custody of the record of the petitioner’s service, showing that the petitioner is or was during the period or periods hereinbefore described a member serving actively and honorably in such forces and, if separated from such service, that he was not separated under other than honorable conditions; or may be proved by affidavits, forming part of the petition, of at least two citizens of the United States, members of the Armed Forces of the United States, of the noncommissioned or warrant officer grade or higher (who may also be the witnesses de-

scribed in subsection (b) of this section): Provided, however, That no period of service in the Armed Forces of the United States shall be made the basis of a petition for naturalization under this Act if the applicant has previously been naturalized on the basis of the same period of service."

It will be noted that the petitioner could not truthfully make all of the allegations contained in the printed form of the petition, and therefore, at the direction of his attorney the following allegation was struck out, "I was physically present in the United States for a single period of at least one year at the time of entering such service". The petitioner does not have the alternative requirement contained in Public Law 86 that he was ever lawfully admitted to the United States for permanent residence. He, therefore, is not entitled to be naturalized under this section.

The present Immigration and Nationality Act also contains Section 328, 8 U.S.C. 1439 which reads as follows:

"Sec. 328. (a) A person who has served honorably at any time in the armed forces of the United States for a period or periods aggregating three years, and who, if separated from such service, was never separated except under honorable conditions, may be naturalized without having resided, continuously immediately preceding the date of filing such person's petition, in the United States for at least five years, and in the State in which the petition for naturalization is filed for at least six months, and without having been physically present in the United



States for any specified period, if such petition is filed while the petitioner is still in the service or within six months after the termination of such service.

“(b) A person filing a petition under subsection (a) of this section shall comply in all other respects with the requirements of this title, except that—

“(1) no residence within the jurisdiction of the court shall be required;

“(2) notwithstanding section 336(c), such petitioner may be naturalized immediately if the petitioner be then actually in the Armed Forces of the United States, and if prior to the filing of the petition, the petitioner and the witnesses shall have appeared before and been examined by a representative of the Service;

“(3) the petitioner shall furnish to the Attorney General, prior to the final hearing upon his petition, a certified statement from the proper executive department for each period of his service upon which he relies for the benefits of this section, clearly showing that such service was honorable and that no discharges from service, including periods of service not relied upon by him for the benefits of this section, were other than honorable. The certificate or certificates herein provided for shall be conclusive evidence of such service and discharge.

“(c) In the case such petitioner's service was not continuous, the petitioner's residence in the United States and State, good moral character, attachment to the principles of the Constitution of the United States, and favorable disposition toward the good

order and happiness of the United States, during any period within five years immediately preceding the date of filing such petition between the periods of petitioner's service in the Armed Forces, shall be alleged in the petition filed under the provisions of subsection (a) of this section, and proved at the final hearing thereon. Such allegation and proof shall also be made as to any period between the termination of petitioner's service and the filing of the petition for naturalization.

“(d) The petitioner shall comply with the requirements of section 316(a) of this title, if the termination of such service has been more than six months preceding the date of filing the petition for naturalization, except that such service within five years immediately preceding the date of filing such petition shall be considered as residence and physical presence within the United States.

“(e) Any such period or periods of service under honorable conditions, and good moral character, attachment to the principles of the Constitution of the United States, and favorable disposition toward the good order and happiness of the United States, during such service, shall be proved by duly authenticated copies of the records of the executive departments having custody of the records of such service, and such authenticated copies of records shall be accepted in lieu of compliance with the provisions of section 316(a).”

It will be noted that in the above section 328 the exemptions are listed, and that the petitioner is not

exempted from the requirement that he have lawful arrival for permanent residence. I desire to call the court's attention to the Departmental Regulation which is pertinent with respect to the requirements under this Section. Part 328.1 of 8 Code of Federal Regulations provides: "Such person shall establish that he is in the United States pursuant to lawful arrival for permanent residence occurring prior to the filing of the petition whether or not it occurred before or after the service in the armed forces".

Also in the present Immigration and Nationality Act there is section 329, 8 U.S.C. 1440 reading as follows:

"Sec. 329. (a) Any person who, while an alien or a non-citizen national of the United States, has served honorably in an active-duty status in the military, air, or naval forces of the United States during either World War I or during a period beginning September 1, 1939, and ending December 31, 1946, and who, if separated from such service, was separated under honorable conditions, may be naturalized as provided in this section if (1) at the time of enlistment or induction such person shall have been in the United States, the Canal Zone, American Samoa, or Swains Island, whether or not he has been lawfully admitted to the United States for permanent residence, or (2) at any time subsequent to enlistment or induction such person shall have been lawfully admitted to the United States for permanent residence. The executive department under which such person served shall determine whether persons have served honorably in an active-duty

status, and whether separation from such service was under honorable conditions: Provided, however, That no person who is or has been separated from such service on account of alienage, or who was a conscientious objector who performed no military, air, or naval duty whatever, or refused to wear the uniform, shall be regarded as having served honorably or having been separated under honorable conditions for the purposes of this section. No period of service in the Armed Forces shall be made the basis of a petition for naturalization under this section if the applicant has previously been naturalized on the basis of the same period of service.

“(b) A person filing a petition under subsection (a) of this section shall comply in all other respects with the requirements of this title, except that——

“(1) he may be naturalized regardless of age, and notwithstanding the provisions of section 331 of this title;

“(2) no period of residence or specified period of physical presence within the United States or any State shall be required;

“(3) the petition for naturalization may be filed in any court having naturalization jurisdiction regardless of the residence of the petitioner;

“(4) service in the military, air, or naval forces of the United States shall be proved by a duly authenticated certification from the executive department under which the petitioner served or is serving, which shall state whether the petitioner served honorably in an active-duty status during either World War I or during a period beginning September 1,

1939, and ending December 31, 1946, and was separated from such service under honorable conditions; and

“(5) notwithstanding section 336(c) of this title, the petitioner may be naturalized immediately if prior to the filing of the petition the petitioner and the witnesses shall have appeared before and been examined by a representative of the Service.

“(c) Citizenship granted pursuant to this section may be revoked in accordance with section 340 of this title if at any time subsequent to naturalization the person is separated from the military, air, or naval forces under other than honorable conditions, and such ground for revocation shall be in addition to any other provided by law. The fact that the naturalized person was separated from the service under other than honorable conditions shall be proved by a duly authenticated certification from the executive department under which the person was serving at the time of separation.

“(d) The eligibility for naturalization of any person who filed a petition for naturalization prior to January 1, 1947, under section 701 of the Nationality Act of 1940, as amended (56 Stat. 182, 58 Stat. 886, 59 Stat. 658; 8 U.S.C. 1001), and which is still pending on the effective date of this Act, shall be determined in accordance with the provisions of this Section.”

It will be observed that the above Section 329 sets up two alternative conditions neither of which this petitioner can meet. The service man must have been

inducted in the United States, the Canal Zone, American Samoa or Swains Island, or if not, he must have lawful arrival for permanent residence.

The above three sections are under existing law, and I will now turn to the sections repealed by the present Immigration and Nationality Act. The saving clause in Section 405 has been held to make applicants eligible when they filed applications before the former laws were repealed on December 24, 1952. This applicant submitted his first application on October 3, 1954, which was long after the repeal of the sections I will now consider. It has also been held that a person fully qualified under any of the former sections retained his right to file a petition under them though he failed to submit an application before the repeal of the law. Therefore, it will be considered whether the petitioner became fully qualified under any of the former sections while they were still in force.

Section 324A of the Nationality Act of 1940, as amended, was in effect until the enactment of the present Immigration and Nationality Act. The portion of the statute with respect qualifying service and arrival reads as follows:

“Sec. 324A. (a) Any person not a citizen who has served honorably in an active-duty status in the military or naval forces of the United States during either World War I or during a period beginning September 1, 1939, and ending December 31, 1946, or who, if separated from such service, was separated under honorable conditions, may be naturalized as provided in this section if (1) at the time of

enlistment or induction such person shall have been in the United States or an outlying possession (including the Panama Canal Zone, but excluding the Philippine Islands), or (2) at any time subsequent to enlistment or induction such person shall have been lawfully admitted to the United States for permanent residence. The executive department under which such person served shall determine whether persons have served honorably in an active-duty status, and whether separation from such service was under honorable conditions: Provided, however, That no person who is or has been separated from such service on account of alienage, or who was a conscientious objector who performed no military or naval duty whatever or refused to wear the uniform, shall be regarded as having served honorably or having been separated under honorable conditions for the purposes of this section."

The present petitioner does not qualify by reason of enlistment or induction in the Philippine Islands, and he does not have the alternative lawful arrival for permanent residence. Even were such section fully effective at the present time this petitioner could not qualify under it.

Section 324(a) of the Nationality Act of 1940, the former 8 U.S.C. 724(a) reads as follows with respect to the qualifying service:

"Sec. 324. (a) A person who has served honorably at any time in the United States Army, Navy, Marine Corps, or Coast Guard for a period or periods aggregating three years and who, if separated from

such service, was separated under honorable conditions, may be naturalized without having resided, continuously immediately preceding the date of filing such person's petition, in the United States for at least five years and in the State in which the petition for naturalization is filed for at least six months, if such petition is filed while the petitioner is still in the service or within six months after the termination of such service. (54 Stat. 1149; 8 U.S.C. 724.)"

The petitioner never did have three years service during the time the above-quoted statute was in effect, and therefore, he never did qualify under that section while it still was a law.

From an examination of every pertinent statute I conclude that this petitioner was never qualified under any repealed section of the law, and that he is not now qualified under any existing statute.

4. Pursuant to the provisions of section 335 of the Immigration and Nationality Act, I hereby make the following findings of fact and conclusions of law:

#### Findings of Fact

(a) That the petitioner is an alien and filed a petition for naturalization on September 2, 1955;

(b) That the petitioner has never been admitted to the United States for permanent residence;

(c) That the petitioner served in the United States Army from March 5, 1946 to February 11, 1949, and



that the enlistment, and all of such service was in the Philippine Islands;

(d) That petitioner enlisted in the United States Navy in the Philippine Islands on March 8, 1954, and has served in the United States Navy since that date; and

(e) That the petitioner submitted his first naturalization application on October 3, 1954.

### Conclusions of Law

(a) That the petitioner is not entitled to be naturalized under Public Law 86, 83rd Congress, 8 U.S.C. 1440a, for the reason that he has never been lawfully admitted to the United States for permanent residence, and for the reason that following a lawful admission to the United States he was not physically present within the United States for a single period of at least one year at the time of entering the Armed Forces;

(b) That the petitioner is not entitled to be naturalized under Section 328 of the Immigration and Nationality Act, 8 U.S.C. 1439, for the reason that he has never been lawfully admitted to the United States for permanent residence;

(c) That the petitioner is not entitled to be naturalized under Section 329 of the Immigration and Nationality Act, 8 U.S.C. 1440, for the reason the petitioner was not inducted or enlisted in the Armed Forces in the United States, the Canal Zone, American Samoa or Swains Island, and has never been

admitted to the United States for permanent residence;

(d) During the period section 324A of the Nationality Act of 1940 as amended was in effect the petitioner never became qualified under it for the reason that his enlistment in the Armed Forces was in the Philippine Islands, and he has never been admitted to the United States for permanent residence;

(e) During the period section 324(a) of the Nationality Act of 1940, then 8 U.S.C. 724(a), was in effect, this petitioner never became qualified under it for the reason that he did not have three years service in the Armed Forces of the United States until after that statute had been repealed; and

(f) That there is no other existing or repealed statute under which this petitioner is entitled to be naturalized.

5. I recommend that this petition for naturalization be denied on the ground that the petitioner is not entitled to be naturalized under Public Law 86, or the Immigration and Nationality Act, including any statute covered by the Savings Clause of that Act.

Respectfully submitted,

/s/ STEPHEN A. DURISCH,

Designated Naturalization Examiner

[Endorsed]: Filed Dec. 22, 1955.

[Title of District Court and Cause.]

NOTICE OF APPEAL TO UNITED STATES  
COURT OF APPEALS FOR THE NINTH  
CIRCUIT UNDER RULE 73(b)

Notice is hereby given that Ricaredo Bernabe Dela Cena, Petitioner above named, does hereby appeal to the United States Court of Appeals for the Ninth Circuit from the final judgment entered in this action on December 22, 1955.

Dated at Honolulu, T. H., this 21st day of January, 1956.

/s/ HOWARD K. HODDICK,  
Attorney for Petitioner.

[Endorsed]: Filed Jan. 21, 1956.

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[Title of District Court and Cause.]

ORDER EXTENDING TIME FOR FILING  
RECORD ON APPEAL AND DESIGNAT-  
ING APPEAL

On application of the petitioner above named made pursuant to the provisions of Rule 73g of the Federal Rules of Civil Procedure,

It Is Hereby Ordered that the petitioner may have up to and including the 19th day of April, 1956, within which to file the record on appeal and to docket the appeal.

Dated: Honolulu, T. H., this 29th day of February, 1956.

/s/ J. FRANK McLAUGHLIN,  
Judge of the Above Entitled Court.

[Endorsed]: Filed Feb. 29, 1956.

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[Title of District Court and Cause.]

### CERTIFICATE OF CLERK

United States of America,  
District of Hawaii—ss.

I, William F. Thompson, Jr., Clerk of the United States District Court for the District of Hawaii, do hereby certify that the foregoing record on appeal in the above-entitled matter, numbered from Page 1 to Page 31 consists of a statement of the names and addresses of the attorneys of record and of the various pleadings and transcript of proceedings as hereinbelow listed and indicated:

#### Originals:

Findings of Fact, Conclusions of Law, and Recommendation of Designated Naturalization Examiner

Notice of Appeal to United States Court of Appeals for the Ninth Circuit Under Rule 73(b)

Order Extending Time for Filing Record on Appeal and Designating Appeal

Designation of Record on Appeal

Transcript of Proceedings

Copies:

Petition for Naturalization

List No. 1199, Naturalization Petitions Recommended to Be Denied

Order No. 1199, Order of Court Denying Petitions for Naturalization

In Witness Whereof, I have hereunto set my hand and affixed the seal of said District Court, this 16th day of April, 1956.

[Seal]            /s/ WM. F. THOMPSON, JR.,  
Clerk, U. S. District Court,  
District of Hawaii.

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In the United States District Court  
for the District of Hawaii

Petition No. 665-p-17365-M

Petition for naturalization

of

RICAREDO BERNABE DELA CENA

### TRANSCRIPT OF PROCEEDINGS

In the above-entitled matter held on December 22, 1955, at 10:00 a.m.,

Before: Hon. J. Frank McLaughlin, Judge.

Appearances: Howard K. Hoddick, Esq., appearing for the Petitioner. Stephen A. Durisch, Naturalization Examiner.

## Proceedings

The Clerk: Petition No. 17365, Ricaredo Bernabe Dela Cena. Will you step forward, please. The petition is called for further hearing. Will you raise your right hand and be sworn.

(Petitioner sworn)

The Court: Mr. Hoddick, you represent this man?

Mr. Hoddick: I represent him, yes, your Honor.

The Court: Very well.

Mr. Durisch: I would like to have the record show that I am filing a document required by regulations in quite a number of court decisions entitled Findings of Fact and Conclusions of Law and Recommendations of the Designated Examiner. (Handling a document to the clerk)

The Court: Very well.

Mr. Durisch: The very first thing I was interested in, with the possible saving of time of the Court, is whether or not he had an issue of law, whether or not there is an issue of law or one of fact. Mr. Hoddick says that my findings of fact contained on page 8——

The Court: Has he a copy of them?

Mr. Durisch: Yes.

Mr. Hoddick: Yes, your Honor.

Mr. Durisch: ——are correct with the exception that the petitioner's service during the period from March 5, 1949, to February 11, 1949, was at least partly or all in Japan rather than in the Philippine Islands, which does not change the situation. So,

therefore, the facts are agreed upon. I believe we have a question of law before the Court.

The Court: And what, in your view, is that question?

Mr. Durisch: Your Honor, I have endeavored to meet the wishes of the applicant, that his case be considered from the standpoint of whether or not he is entitled to be naturalized under any statute relating to the naturalization of persons who have served in the armed forces. So the plan of my report was to list and quote from a number of different statutes. That possibly can be narrowed down if the petitioner's attorney wants to indicate to the Court that he does not claim that certain of these statutes would apply. But if he wants to specify a particular statute that he thinks his client might be naturalized under, I believe it would conserve the time of the Court.

The Court: All right.

Mr. Durisch: The statutes that I have considered are listed on page 9 under Conclusions of Law.

The Court: Yes.

Mr. Durisch: If there are other statutes that I have omitted, that is possible, but my intention was to list every possible statute that might apply in the situation. Now, I think it would conserve the time of the Court if there is some election made as to what statutes he thinks his client is entitled to.

The Court: All right, Mr. Hoddick. You, having the benefit of this report and having had no doubt an opportunity to read it, reflected on it, and will you please give the Court the benefit of knowing

your position with regard to it? Am I correctly advised that you had time to study it?

Mr. Hoddick: Your Honor, I have. This was mailed to me quite some time ago. There are two points in which we differ with the Immigration Examiner with reference to the Findings of Fact. The first, as he noted, that the petitioner enlisted in the United States Army in the Philippines and more recently enlisted in the United States Navy in the United States, at the U. S. Naval Base in Cavite in the Philippines, in 1954, and from thence came to the United States. That while he was in the Army, which was for a period just shy of three years, he served almost the entire time in Okinawa.

I would take issue with the Examiner's finding that the petitioner has never been admitted to the United States for permanent residence. This is the first experience I have had with a procedure of this sort, whether that is a fact which could be established through the testimony of the petitioner or not. Our position is that the petitioner was brought in here under military orders by the U. S. Navy, that consequently, under the decided cases, his entry was a lawful entry.

The Court: Well, that is not a point under the conclusions of law. Judge Wiig had a case involving something about the military bringing in a person without going through immigration.

Mr. Hoddick: That was the case of Echiverri. The Immigration Service took an appeal which was later discontinued.

The Court: But being lawfully admitted and law-



fully admitted for permanent residence may be two different things.

Mr. Hoddick: I recognize that. And that is where we get into, I would submit, perhaps the subjective intent of the petitioner at the time he made his entry.

The Court: I don't think that that factor has any relevancy. This phrase "Admitted for permanent residence" has meaning to me that he went through immigration and was recognized as being a lawfully entering individual, alien, who was given permission by our government through the Immigration Service to not only come into the United States lawfully but to be and remain there for permanent residence. But the mere fact that he, via the military, got in without going through immigration and had subjective intent that he was going to stay forever may be a fact but I don't think it is a fact that has relationship to this conclusion of law, which I think is a technicality under the Immigration and Naturalization Act. At least, that is my reaction to it at the moment. If I am wrong, I will be happy to hear from you. But I think if your view is right, you would like to put on some evidence as to his subjective intent at the time.

Mr. Hoddick: That is correct.

The Court: All right. Is there anything else?

Mr. Hoddick: That's all at the moment. I think that hurdle has to be gotten over first before I can proceed.

The Court: All right.

(Argument of Counsel)

The Court: I will decline to hear evidence as to his subjective intent at the time of his arrival as being irrelevant.

Mr. Hoddick: I had gathered that the Naturalization Examiner had in effect offered to stipulate that he had such subjective intent.

The Court: Yes.

Mr. Durisch: I will concede it or stipulate it.

The Court: I will reject the stipulation as irrelevant, then.

(Further argument of Counsel)

The Court: So you will know just where you stand in case you want to appeal, I rule against your contention and hold that he is not eligible and that the conclusions of law listed are sound.

(Further argument on claim of eligibility under Section 324-a of the Nationality Act of 1940.)

The Court: On the giveaway theory you certainly have a good argument to make. I am going to rule against you, but I will probably be reversed. My view is that under this particular law, the period of time amounting to three years does not necessarily have to be continuous, but they all have to have accrued within the lifetime of the statute. It is regrettable that he falls short of the three years by such a brief period of time. But there has to be some line of demarcation and some rules to go by. And the rule, as I interpret it, is that it means three full years, an aggregating period of three full years **during** the lifetime of the statute under which he claims.

And that is not the fact here, for he didn't reenlist until '54; the statute was repealed in '52.

I am going to have to deny him eligibility to be naturalized under this section. I fully expect to be reversed. So if you want to appeal this point, you certainly will have my cooperation in helping him expedite the appeal, because it is somewhat of a novel proposition.

Mr. Hoddick: Your Honor, for the record may we note the customary exception?

The Court: Surely.

Mr. Hoddick: As being contrary to law and the evidence.

The Court: Surely.

Mr. Hoddick: And having in mind what the Court just said, maybe some simpler form be directed to the Ninth Circuit——

The Court: Yes, I think you can go up on a stipulation of facts, a short abbreviated record, questions of law submitted on briefs. I predict you will get me reversed. But I just can't accept the cracker-jack theory of citizenship.

Mr. Durisch: It is my understanding that this report is in the record?

The Court: Yes, it is. It has been filed. All right.

[Endorsed]: Filed Apr. 16, 1956.

[Endorsed]: No. 15106. United States Court of Appeals for the Ninth Circuit. Ricaredo Bernabe Dela Cena, Appellant, vs. United States of America, Appellee. Transcript of Record. Appeal from the United States District Court for the District of Hawaii.

Filed: April 17, 1956.

Docketed: April 23, 1956.

/s/ PAUL P. O'BRIEN,

Clerk of the United States Court of Appeals for the Ninth Circuit.

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In the United States Court of Appeals  
for the Ninth Circuit

No. 15106

Petition for naturalization

of

RICAREDO BERNABE DELA CENA,  
Appellant.

STATEMENT OF POINTS TO BE  
RELIED UPON ON APPEAL

Comes now Ricaredo Bernabe Dela Cena, appellant in the above entitled cause, by his attorney, Howard K. Hoddick, and pursuant to the provisions of Rule 19 (6) of the Rules of Practice for the United States Court of Appeals for the Ninth Circuit, hereby states that the appellant in taking this appeal relies upon the following:

(1) The order of the United States District Court for the District of Hawaii dated December 22, 1955, from which this appeal is taken and which denied the petition of the appellant was erroneous in the following particulars:

(a) That appellant was not qualified to be naturalized under Public Law 86, 83rd Congress, 8 U.S.C. 1440a;

(b) That appellant was not qualified to be naturalized under Section 328 of the Immigration and Nationality Act, 8 U.S.C. 1439;

(c) That appellant was not qualified to be naturalized under Section 329 of the Immigration and Nationality Act, 8 U.S.C. 1439;

(d) That appellant was not qualified to be naturalized under Section 324A of the Nationality Act of 1940, Act of June 1, 1948, 62 Stat. 281;

(e) That appellant was not qualified to be naturalized under Section 324(a) of the Nationality Act of 1940, then 8 U.S.C. 724(a).

By reason of said error, the order denying the petition of the appellant should be reversed.

Dated: Honolulu, T. H., April 16, 1956.

RICAREDO BERNABE DELA CENA,  
Appellant,

/s/ HOWARD K. HODDICK,  
His Attorney

/s/ By ROBERT W. B. CHANG

[Endorsed]: Filed April 17, 1956. Paul P. O'Brien, Clerk.

[Title of U. S. Court of Appeals and Cause.]

DESIGNATION OF RECORD ON APPEAL  
TO BE PRINTED

Appellant Ricaredo Bernabe Dela Cena, designates the following portion of the record to be printed on appeal in the above entitled cause:

- (1) Petition for Naturalization;
- (2) Findings and Recommendations of Naturalization Examiners;
- (3) List of petitions recommended to be denied;
- (4) Order denying petitions (Dec. 22, 1955);
- (5) Notice of appeal;
- (6) Order extending time;
- (7) Transcript;
- (8) The Designation of record on appeal;
- (9) This Designation of record on appeal to be printed;
- (10) Statement of points to be relied upon on appeal.

Dated: Honolulu, T. H., April 16, 1956.

RICAREDO BERNABE DELA CENA,  
Appellant,

/s/ HOWARD K. HODDICK,  
Attorney for Appellant

/s/ By ROBERT W. B. CHANG

[Endorsed]: Filed April 17, 1956. Paul P. O'Brien, Clerk.

No. 15,106

United States Court of Appeals  
For the Ninth Circuit

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RICAREDO BERNABE DELA CENA,  
*Appellant,*

vs.

UNITED STATES OF AMERICA,  
*Appellee.*

APPELLANT'S OPENING BRIEF.

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*Attorney for Appellant.*

FILE

AUG 13 1956

PAUL P. O'BRIEN, CL





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# United States Court of Appeals For the Ninth Circuit

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RICAREDO BERNABE DELA CENA,	}
VS.	
UNITED STATES OF AMERICA,	
	<i>Appellant,</i>
	<i>Appellee.</i>

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## APPELLANT'S OPENING BRIEF.

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### STATEMENT OF JURISDICTION.

The United States District Court for the District of Hawaii had jurisdiction of Appellant's petition for naturalization under the provisions of Section 1421, Title 8, U.S.C. This Court has jurisdiction of Appellant's appeal from the denial of that petition under the provisions of Section 1291, Title 28, U.S.C.

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### STATEMENT OF THE CASE.

Appellant is a native and a national of the Philippine Republic (R. p. 12). He filed a petition for naturalization with the United States District Court for the District of Hawaii September 2, 1955 (R. pp.

3-6). The United States Naturalization Examiner, Stephen A. Durisch, recommended denial of the petition (R. pp. 10, 26). The District Court denied the petition on December 22, 1955 (R. pp. 6, 10-11).

Appellant served honorably in the United States Army in the Philippine Islands and in Okinawa from March 5, 1946 to February 11, 1949 (R. pp. 13, 30, 32). His enlistment was for a term of 3 years and he was honorably discharged shortly before the expiration of that term because of the demobilization of his regiment. Appellant enlisted in the United States Navy on March 8, 1954 in the Philippine Islands and is still serving therein. He first arrived in the United States at San Francisco, California, on April 1, 1954, as a seaman in the United States Navy and without immigration inspection and has been within the United States ever since (R. p. 13).

Appellant urged the trial Court that he was entitled to be naturalized under at least one of the following statutes:

Immigration and Nationality Act of June 27, 1952, Sec. 329, 66 Stat. 250, 8 U.S.C.A. 1440 (R. pp. 19-21).

Act of June 30, 1953, Public Law 86, 83rd Congress, Chapter 162, 1st Session, 67 Stat. 108, Sec. 1440a, 8 U.S.C.A. 1440a (R. pp. 14-16).

Section 324A of the Nationality Act of 1940 as amended by Act of June 1, 1948, 62 Stat. 281 (R. pp. 22-23).

The Naturalization Examiner contended in substance that Appellant has never been "lawfully admitted to

the United States for permanent residence” and that consequently he is not entitled to naturalization under Secs. 1440 or 1440a, Title 8, U.S.C. or under Sec. 324A of the Nationality Act of 1940.

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### **STATUTES INVOLVED.**

In addition to the statutes referred to above Appellant believes that Sections 403(a) and 405 (66 Stat. 280, 8 U.S.C. Sec. 1101, note) of the Immigration and Nationality Act of June 27, 1952, should be considered in determining the questions raised by this appeal. Section 403(a) (41) repeals Section 324A of the Nationality Act of 1940 as amended. Section 405 provides in part as follows:

“Sec. 405. (a) Nothing contained in this Act, unless otherwise specifically provided therein, shall be construed to . . . affect any . . . status, condition, right in process of acquisition . . . , done or existing at the time this Act shall take effect; but as to all such . . . conditions, rights, acts, things . . . or matters the statutes or parts of statutes repealed by this Act are, unless otherwise specifically provided therein, hereby continued in force and effect. \* \* \*”

Also to be considered is Section 402(e) of the Immigration and Nationality Act of 1952.

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### **QUESTIONS PRESENTED.**

1. Is an alien serviceman who enters the United States under military orders but without immigration

inspection or examination to be deemed as having been "lawfully admitted for permanent residence" as that term is used in Sections 1440 and 1440a, Title 8, U.S.C. or in Section 324A of the Nationality Act of 1940 (formerly Sec. 724A, Title 8, U.S.C.)?

2. Did Appellant acquire any status, condition, or right in process of acquisition under Section 324A of the Nationality Act of 1940 as amended?

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### **SPECIFICATION OF ERRORS.**

1. The District Court erred in failing to answer either of the foregoing questions in the affirmative.

2. The District Court erred in refusing to admit evidence that Appellant intended to and did enter the United States for permanent residence (R. p. 34). In this connection a stipulation was offered to the trial Court but it ruled as follows: "I will reject the stipulation as irrelevant, then."

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### **ARGUMENT.**

#### **I.**

**APPELLANT IS TO BE DEEMED TO "HAVE BEEN LAWFULLY ADMITTED TO THE UNITED STATES FOR PERMANENT RESIDENCE".**

#### **A. Lawful Admission.**

A member of the armed forces of the United States who enters this country under military orders has been lawfully admitted to the United States even



though he is subjected to no immigration inspection or examination at the time of his entry. *Petition of Barandiaran*, 123 F. Supp. 268 (1955-D.C.S.D.N.Y.); *Petition of Zaino*, 131 F. Supp. 456 (1955-D.C.S.D.N.Y.); *In re Echiverri*, 131 F. Supp. 674 (1955-D.C.D. Hawaii).

Similarly seamen who entered the United States on temporary passes, who overstayed the period of their passes, and who thereafter performed honorable military service have been held to have been lawfully admitted for purposes of naturalization. *Petition of Bozin*, 70 F. Supp. 5 (1947-D.C.S.D. Calif.); *In re Apollonio*, 128 F. Supp. 288 (1955-D.C.S.D.N.Y.). Language used by the Court in the *Bozin* case could be applied equally well to the Appellant herein:

“An alien’s admission is unlawful if gained without actual permission, or if permission be procured by means of actual fraud. There is no suggestion of any such irregularity surrounding petitioner’s entry. No declaration of intent was required as a condition precedent to admission. Josip Bozin entered this country ‘standing up’, in his own name, without misrepresentation, and with the express permission of the proper authorities.” (p. 7.)

In the *Echiverri* case, *supra*, the Court said this of a seaman in the United States Navy who entered the country under the same circumstances as the Appellant:

“No suggestion has been made that his admission to the United States was gained by any misrepresentation, concealment, fraud, or any other

artifice. On the contrary, the record clearly discloses that at the time of his entry he was an enlisted man on an active duty status, acting pursuant to the orders of his superior officers, that his entry was authorized by the then effective regulations, and that as to him there was a waiver of inspection and examination as required by the above-mentioned statute." (p. 676.)

Section 175.48, Title 8, C.F.R. (Supp. 1947), which exempted an alien member of the Armed Forces of the United States from the production of travel documents was the basis for the "waiver" referred to by the Court in the *Echiverri* decision. Substantially the same regulation, which was in effect at the time Appellant entered the country, was given the same effect in *Petition of Zaino*, 131 F. Supp. 456 (1955-D.C.S.D.N.Y.). This regulation, to-wit: Section 212.4, Title 8, C.F.R., provided as follows:

"Sec. 212.4. Additional classes of non-immigrants not required to present passports, visas or border crossing identification cards. As provided in the Immigration and Nationality Act, the provisions of section 212 (a) (26) of the Immigration and Nationality Act and of this chapter relating to the requirement of passports, visas and border crossing identification cards for non-immigrants do not apply in the cases of aliens who fall within any of the following categories:

(a) An alien member of the armed forces of the United States who:

(1) Is in the uniform of, or who bears documents identifying him as a member of, such armed forces;

(2) Has not been lawfully admitted for permanent residence; and

(3) Is making application for admission to the United States under official order or permit of such armed forces.”

#### **B. For Permanent Residence.**

Whether Appellant entered the United States for and with the intent to establish his permanent residence here is something which could be determined only by an examination of the Appellant. Evidence pertaining to this matter was not allowed by trial court and, in fact, a stipulation to the effect that Appellant intended to reside permanently in the United States at the time of entry was rejected by the Court (R. p. 34). In this respect it is submitted that the trial Court erred. Nor can it be argued that Appellant's entering of the United States for permanent residence made such entry an unlawful one for unlike a temporary visitor who has proclaimed that he does not intend to stay, Appellant entered under orders, no inspection or examination was made to determine his status at the time of entry, and his entry was not procured by fraud or misrepresentation.

Entirely apart from Appellant's intent at the time of his entry his admission is now to be considered as having been made “for permanent residence” under the provisions of Section 402 (e) of the Immigration and Nationality Act of June 27, 1952 (66 Stat. 163) which provides in part as follows:

“Any alien enlisted or reenlisted pursuant to the provisions of this Act who subsequently enters

the United States, . . . pursuant to military orders shall, if otherwise qualified for citizenship, and after completion of five or more years of military service, if honorably discharged therefrom, be deemed to have been lawfully admitted to the United States for permanent residence within the meaning of such section 329(a).”

Appellant has completed more than five years of honorable service with the Armed Forces of the United States and he has been honorably discharged from such Armed Forces. In view of the liberal construction which the courts have given to these statutes which are designed to reward aliens who like the Appellant have rendered both loyal and honorable military service to the United States, Section 402 (e) should be construed as not requiring that the honorable discharge follow the five year period of service.

In *Petition of Zaino*, supra, the petitioner was illegally admitted to this country in 1929. He served in the United States Army from 1950 to 1952, part of the time in Korea. He returned from Korea and entered the United States under military orders. He petitioned for naturalization thereafter under the provisions of 8 U.S.C.A. 1440a, Act of June 30, 1953, 67 Stat. 108. The Court found that he qualified under the provision of the statute which reads as follows:

“. . . or (2) having been lawfully admitted to the United States and having been physically present within the United States for a single period of at least one year at the time of entering the Armed Forces, . . .”

The Court held that it made no difference that petitioner's lawful admission followed his induction into the Armed Forces. So here, Appellant submits that it should make no difference that he received an honorable discharge prior to the expiration of his five years of military service, so long as it is conceded that his present service has been and is entirely honorable.

Appellant, having served honorably in the Armed Forces of the United States for in excess of three years and part of that time after September 1, 1939, and before December 31, 1946, and having been lawfully admitted to the United States for permanent residence, is eligible for naturalization under the provisions of the Act of June 30, 1953, 67 Stat. 108, 8 U.S.C.A. 1440a (R. pp. 14-16), and of Section 329 of the Immigration and Nationality Act of June 27, 1952, 66 Stat. 250, 8 U.S.C.A. 1440 (R. pp. 19-21).

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## II.

**BY VIRTUE OF THE SAVINGS CLAUSE CONTAINED IN THE IMMIGRATION AND NATIONALITY ACT OF 1952 APPELLANT ALSO QUALIFIES UNDER THE ACT OF JUNE 1, 1948, 62 Stat. 281.**

Having served in the Armed Forces of the United States after September 1, 1939, and before December 31, 1946, Appellant is likewise qualified for naturalization under the provisions of Section 324A of the Nationality Act of 1940 as amended by the Act of June 1, 1948, 62 Stat. 281.

Section 324A was repealed by Section 403 (a) (41) of the Immigration and Nationality Act of 1952, but Appellant's right to be naturalized under it is preserved by Section 405 of the same Act. The weight of authority since the decision in *Bertoldi v. McGrath*, 178 F. 2d 977 (1949-U.S.C.A.D.C.) has been that a right in the process of acquisition is preserved under a savings clause such as is contained in Section 405. *United States v. Menasche*, 348 U.S. 528 (1955); *Aure v. United States*, 225 F. 2d 88 (1955-C.A. 9); *United States v. Shaughnessy*, 221 F. 2d 578 (1955-C.A. 2); *Petitions of F. G. & E. G.*, 137 F. Supp. 782 (1956-D.C.S.D.N.Y.); *Petition of Pringle*, 122 F. Supp. 90 (1953-D.C.E.D. Va.); *In re Jocson*, 117 F. Supp. 528 (1954-D.C.D. Hawaii). In the *Aure* case this Court ruled that

“ . . . the savings clause is not limited to cases involving affirmative action and those concerning derivative citizenship, but its preservation feature should be extended to all substantive rights existing at the time the statute creating the rights was repealed.”

Appellant had a right in the process of acquisition or a status or condition at the time Section 324A was repealed, there remaining only his lawful admission to the United States for permanent residence to complete that right.

## CONCLUSION.

Having in mind the loyal service which Appellant has rendered to the United States, it is respectfully submitted that the final order of the District Court denying his petition for naturalization should be reversed.

Dated, Honolulu, Hawaii,  
August 4, 1956.

HOWARD K. HODDICK,  
*Attorney for Appellant.*





No. 15,106

United States Court of Appeals  
For the Ninth Circuit

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RICAREDO BERNABE DELA CENA,	}
VS.	
UNITED STATES OF AMERICA,	
	<i>Appellant,</i>
	<i>Appellee.</i>

On Appeal from the United States District Court  
for the District of Hawaii.

BRIEF FOR APPELLEE.

---

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CHARLES B. DWIGHT, III,

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FILE

SEP 13 1956

PAUL P. O'BRIEN, CL



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No. 15,106

**United States Court of Appeals  
For the Ninth Circuit**

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RICAREDO BERNABE DELA CENA,	}
<i>Appellant,</i>	
VS.	
UNITED STATES OF AMERICA,	
<i>Appellee.</i>	

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**On Appeal from the United States District Court  
for the District of Hawaii.**

**BRIEF FOR APPELLEE.**

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The Appellee agrees with Appellant's Statement of Jurisdiction and Statement of the Case, except that the Appellee has considered all possible statutes under which Appellant might be eligible and therefore has considered in addition to those urged by the Appellant:

Sec. 328, Immigration and Nationality Act, 8 USC 1439.

Sec. 324(a), Nationality Act of 1940, 54 Stat. 1149.

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**STATUTES INVOLVED.**

Sec. 324, *Nationality Act of 1940*, 54 Stat. 1149

"Sec. 324. (a) A person who has served honorably at any time in the United States Army,

Navy, Marine Corps, or Coast Guard for a period or periods aggregating three years and who, if separated from such service, was separated under honorable conditions, may be naturalized without having resided, continuously immediately preceding the date of filing such person's petition, in the United States for at least five years and in the State in which the petition for naturalization is filed for at least six months, if such petition is filed while the petitioner is still in the service or within six months after the termination of such service. (54 Stat. 1149; 8 U.S.C. 724.)

#### IF PETITION FILED WHILE IN SERVICE OR WITHIN SIX MONTHS OF ITS TERMINATION; REQUIREMENTS AND EXEMPTIONS

(b) A person filing a petition under subsection (a) of this section shall comply in all respects with the requirements of this chapter except that—

(1) No declaration of intention shall be required;

(2) No certificate of arrival shall be required;

(3) No residence within the jurisdiction of the court shall be required;

(4) Such petitioner may be naturalized immediately if the petitioner be then actually in any of the services prescribed in subsection (a) of this section, and if, before filing the petition for naturalization, such petitioner and at least two verifying witnesses to the petition, who shall be citizens of the United States and who shall identify petitioner as the person who rendered the service upon which the petition is based, have

appeared before and been examined by a representative of the Service. (54 Stat. 1149; 8 U.S.C. 724.)

**WHERE SERVICE NOT CONTINUOUS;  
PROOF OF RESIDENCE GOOD MORAL  
CHARACTER, AND ATTACHMENT TO THE  
PRINCIPLES OF THE CONSTITUTION**

(c) In case such petitioner's service was not continuous, petitioner's residence in the United States and State, good moral character, attachment to the principles of the Constitution of the United States, and favorable disposition toward the good order and happiness of the United States, during any period within five years immediately preceding the date of filing said petition between the periods of petitioner's service in the United States Army, Navy, Marine Corps, or Coast Guard, shall be verified in the petition filed under the provisions of subsection (a) of this section, and proved at the final hearing thereon by witnesses, citizens of the United States, in the same manner as required by section 309. Such verification and proof shall also be made as to any period between the termination of petitioner's service and the filing of the petition for naturalization. (54 Stat. 1149; 8 U.S.C. 724.)" . . .

Sec. 324A, *Nationality Act of 1940*, 62 Stat. 281.

"Sec. 324A. (a) Any person not a citizen who has served honorably in an active-duty status in the military or naval forces of the United States during either World War I or during a period beginning September 1, 1939, and ending December 31, 1946, or who, if separated from such service, was separated under honorable conditions,

may be naturalized as provided in this section if (1) at the time of enlistment or induction such person shall have been in the United States or an outlying possession (including the Panama Canal Zone, but excluding the Philippine Islands), or (2) at any time subsequent to enlistment or induction such person shall have been lawfully admitted to the United States for permanent residence. The executive department under which such person served shall determine whether persons have served honorably in an active-duty status, and whether separation from such service was under honorable conditions: *Provided, however,* That no person who is or has been separated from such service on account of alienage, or who was a conscientious objector who performed no military or naval duty whatever or refused to wear the uniform, shall be regarded as having served honorably or having been separated under honorable conditions for the purposes of this section." . . .

Sec. 328, *Immigration and Nationality Act*, 8 USC 1439.

“(a) A person who has served honorably at any time in the armed forces of the United States for a period or periods aggregating three years, and, who, if separated from such service, was never separated except under honorable conditions, may be naturalized without having resided continuously immediately preceding the date of filing such person’s petition, in the United States for at least five years, and in the State in which the petition for naturalization is filed for at least six months, and without having been physically present in the United States for any specified



period, if such petition is filed while the petitioner is still in the service or within six months after the termination of such service.

## EXCEPTIONS

(b) A person filing a petition under subsection (a) of this section shall comply in all other respects with the requirements of this subchapter, except that—

(1) no residence within the jurisdiction of the court shall be required;

(2) notwithstanding section 1447(c) of this title, such petitioner may be naturalized immediately if the petitioner be then actually in the Armed Forces of the United States, and if prior to the filing of the petition, the petitioner and the witnesses shall have appeared before and been examined by a representative of the Service;

(3) the petitioner shall furnish to the Attorney General, prior to the final hearing upon his petition, a certified statement from the proper executive department for each period of his service upon which he relies for the benefits of this section, clearly showing that such service was honorable and that no discharges from service, including periods of service not relied upon by him for the benefits of this section, were other than honorable. The certificate or certificates herein provided for shall be conclusive evidence of such service and discharge.

## WHEN SERVICE NOT CONTINUOUS

(c) In the case such petitioner's service was not continuous, the petitioner's residence in the United States and State, good moral character,

attachment to the principles of the Constitution of the United States, and favorable disposition toward the good order and happiness of the United States, during any period within five years immediately preceding the date of filing such petition between the periods of petitioner's service in the Armed Forces, shall be alleged in the petition filed under the provisions of subsection (a) of this section, and proved at the final hearing thereon. Such allegation and proof shall also be made as to any period between the termination of petitioner's service and the filing of the petition for naturalization." . . .

Sec. 329, *Immigration and Nationality Act*, 8 USC 1440.

“(a) Any person who, while an alien or a noncitizen national of the United States, has served honorably in an active-duty status in the military, air, or naval forces of the United States during either World War I or during a period beginning September 1, 1939, and ending December 31, 1946, and who, if separated from such service, was separated under honorable conditions, may be naturalized as provided in this section if (1) at the time of enlistment or induction such person shall have been in the United States, the Canal Zone, American Samoa, or Swains Island, whether or not he has been lawfully admitted to the United States for permanent residence, or (2) at any time subsequent to enlistment or induction such person shall have been lawfully admitted to the United States for permanent residence. The executive department under which such person served shall determine whether persons have served honorably in an active-duty

status, and whether separation from such service was under honorable conditions: *Provided, however,* That no person who is or has been separated from such service on account of alienage, or who was a conscientious objector who performed no military, air, or naval duty whatever or refused to wear the uniform, shall be regarded as having served honorably or having been separated under honorable conditions for the purposes of this section. No period of service in the Armed Forces shall be made the basis of a petition for naturalization under this section if the applicant has previously been naturalized on the basis of the same period of service.

## EXCEPTIONS

(b) A person filing a petition under subsection (a) of this section shall comply in all other respects with the requirements of this subchapter, except that—

(1) he may be naturalized regardless of age, and notwithstanding the provisions of section 1442 of this title;

(2) no period of residence or specified period of physical presence within the United States or any State shall be required;

(3) the petition for naturalization may be filed in any court having naturalization jurisdiction regardless of the residence of the petitioner;

(4) service in the military, air, or naval forces of the United States shall be proved by a duly authenticated certification from the executive department under which the petitioner served or is serving, which shall state whether the petitioner served honorably in an active-duty status

during either World War I or during a period beginning September 1, 1939, and ending December 31, 1946, and was separated from such service under honorable conditions; and

(5) notwithstanding section 1447(c) of this title, the petitioner may be naturalized immediately if prior to the filing of the petition the petitioner and the witnesses shall have appeared before and been examined by a representative of the Service." . . .

Sec. 284, *Immigration and Nationality Act*, 8 USC 1354.

"Nothing contained in this subchapter shall be construed so as to limit, restrict, deny, or affect the coming into or departure from the United States of an alien member of the Armed Forces of the United States who is in the uniform of, or who bears documents identifying him as a member of, such Armed Forces, and who is coming to or departing from the United States under official orders or permit of such Armed Forces: *Provided*, That nothing contained in this section shall be construed to give to or confer upon any such alien any other privileges, rights, benefits, exemptions, or immunities under this chapter, which are not otherwise specifically granted by this chapter. June 27, 1952, c. 477, Title II, ch. 9, §284, 66 Stat. 232."

*Act of June 30, 1953*, 67 Stat. 108, 8 USC 1440(a).

"Notwithstanding the provisions of sections 1421 (d) and 1429 of this title, any person, not a citizen, who, after June 24, 1950, and not later than July 1, 1955, has actively served or actively

serves, honorably, in the Armed Forces of the United States for a period or periods totaling not less than ninety days and who (1) having been lawfully admitted to the United States for permanent residence, or (2) having been lawfully admitted to the United States, and having been physically present within the United States for a single period of at least one year at the time of entering the Armed Forces, may be naturalized on petition filed not later than December 31, 1955, upon compliance with all the requirements of this chapter, except that—" . . .

Sec. 101(a)(20), *Immigration and Nationality Act*,  
8 USC 1101(a)(20).

"(20) The term 'lawfully admitted for permanent residence' means the status of having been lawfully accorded the privilege of residing permanently in the United States as an immigrant in accordance with the immigration laws, such status not having changed."

Sec. 101(a)(15), *Immigration and Nationality Act*,  
8 USC 1101(a)(15).

"(15) The term 'immigrant' means every alien except an alien who is within one of the following classes of nonimmigrant aliens—" . . .

Sec. 101(a)(16), *Immigration and Nationality Act*,  
8 USC 1101(a)(16).

"(16) The term 'immigrant visa' means an immigrant visa required by this chapter and properly issued by a consular officer at his office outside of the United States to an eligible immigrant under the provisions of this chapter."

Sec. 101(a)(26), *Immigration and Nationality Act*, 8 USC 1101(a)(26).

“(26) The term ‘nonimmigrant visa’ means a visa properly issued to an alien as an eligible non-immigrant by a competent officer as provided in this chapter.”

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### THE QUESTIONS PRESENTED.

1. Was the Appellant lawfully admitted for permanent residence?

2. If Appellant was not lawfully admitted for permanent residence, is he eligible under any statute not requiring lawful admission for permanent residence, namely, Sec. 324(a), Nationality Act of 1940; Sec. 329, Immigration and Nationality Act of 1952; 8 USC 1440(a)?

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### SUMMARY OF ARGUMENT.

Appellant was not “lawfully admitted for permanent residence” in that he was not “lawfully accorded the privilege of residing permanently in the United States as an immigrant in accordance with the *immigration* laws. Secondly, he is not eligible under the provisions of any statutes which do not require lawful admission for permanent residence.

---

### ARGUMENT.

Appellant's only coming to the United States occurred on April 1, 1954, at San Francisco, California as a seaman in the United States Navy, without im-

migration inspection. (R. 13, 31.) In connection with this coming to the United States, the Immigration and Nationality Act governs any rights which may have accrued therefrom. The following sections are pertinent: 8 USC 1354; 8 USC 1101(a)(20); 8 USC 1101(a)(15); 1101(a)(16); 1181(a).

Starting with Section 1354 of Title 8: this section allows for the “*coming into or departure* from the United States” of an alien member of the armed forces of the United States. Congress has carefully worded the section to avoid the use of the words of art “entry” or “lawful admission”. Congress also saw fit to provide that this action would not be “construed to give or to confer upon any such alien any other privileges, rights, benefits, exemptions, or immunities under this Act which are not otherwise specifically granted by this Act”. The Appellee therefore maintains that the Appellant gains nothing by his “coming into the United States” under military orders. Therefore, any rights he may have must be found within the Immigration and Nationality Act.

Section 1101(a)(20), Title 8, United States Code, defines “lawful admission for permanent residence”. The Appellant cannot meet the conditions of that definition. First, he must be *admitted* to the United States. It is the contention of the Appellee that Appellant was not admitted to the United States as contemplated by existing law at the time of his “coming into” the United States. (8 USC 1225.)

Secondly, he must be *admitted as an immigrant*. He cannot be admitted to the United States as an

immigrant unless he has an immigrant visa. 8 USC 1181(a); 8 USC 1101(a)(16). There is absolutely nothing in the record indicating that Appellant had in his possession or was ever issued an immigrant visa. See *Zackarias v. McGrath*, DC DC 1952, 105 F.Supp. 421; *Zubrick v. Borg*, 47 F. (2d) 690; *DeVita v. Uhl*, 2 Cir. 1939, 99 F. (2d) 825. The District Court was quite correct in refusing to accept a stipulation that the Appellant's intention at the time of his coming to the United States was to remain permanently. This subjective intent had no bearing on his immigration status.

Appellant gained nothing by his coming to the United States as a member of the armed forces under military orders. Anything that he gained must be specifically granted by the Immigration and Nationality Act. The authorities cited by Appellant all refer to arrivals in the United States prior to the effective date of the Act. *In re Echiverri*, 131 F. Supp. 674 is a good example of where arrival in the United States under military orders took place prior to December 24, 1952 and was not governed by the limiting provisions of 8 USC 1354. Under prior law there was a logical basis for an "implied waiver of inspection"—see *In re Echiverri*—with the accrual of any benefits therefrom. But under the present Act there is an express waiver of inspection granted by statute with very definite limiting provisions which cut off the conferring of any benefits which may arise from the waiver of inspection. If, as contended, Appellant was *not* lawfully admitted for permanent resi-



dence, the following statutes do not apply to the Appellant:

Sec. 324A, Nationality Act of 1940 (as added 62 Stat. 281). Appellant enlisted in the Philippine Islands, which excludes him under provision (1), and he was not subsequently lawfully admitted to the United States for permanent residence, which excludes him under provision (2). Since Sec. 329, Immigration and Nationality Act, is in all material respects identical with 324A above, he is not eligible under that section either.

Appellant cannot qualify under provision (1) of 8 USC 1440(a), which requires lawful admission for permanent residence.

#### **Lawful Admission.**

Appellant contends he is lawfully admitted to the United States. Appellee contends that lawful admission contemplates immigration inspection or a legal waiver therefor.

When a person is inspected, certain benefits flow from that inspection, as well as obligations. Non-immigrants are lawfully admitted—the type of lawful admission that would confer benefits. See Sec. 1101(a)(15) for classifications of non-immigrants.

Appellant contends that his coming was as a non-immigrant and consequently he has a “lawful admission”. This overlooks the importance of Sec. 1354, Title 8, which allows for his coming and going while under military orders, but does not grant any benefits. A study of Appellant’s cases shows that the

facts there presented concern *entries* prior to December 24, 1952. Consequently, he was not eligible under provision (2) of 8 USC 1440(a).

A careful study of the two remaining sections, 328, Immigration and Nationality Act, and 324(a), Nationality Act of 1940, shows that they are practically identical. With one very significant difference, 328, Immigration and Nationality Act, requires a lawful admission for permanent residence, hence, Appellant does not qualify thereunder.

There remains only Sec. 324(a) of the Nationality Act of 1940. This section does *not* require either a lawful admission for permanent residence or a lawful admission.

Assuming for the purposes of this argument that Sec. 405(a), Immigration and Nationality Act (note to 8 USC 1101(a)) saves this section under the facts herein presented—the next question is whether the Appellant qualifies. Under the facts he has three years' service but not continuous. Sec. 324(c) requires residence in the United States "during any period within five years immediately preceding the date of filing said petition between the periods of petitioner's service". This the Appellant cannot do. He did not come to the United States until 1954 and did not file his petition until September 2, 1955.

He must therefore prove residence in the United States for five years preceding September 2, 1955. This he cannot do. Since he was resident in the Republic of the Philippines from September 1950 to April 1954, he cannot qualify under 324(a) of the Nationality Act of 1940.

There are also grave doubts that the savings clause applies to the facts of this case. A right in the process of acquisition should be accompanied by an affirmative act. *U. S. v. Menasche*, 348 U.S. 525; *Aure v. U. S.*, 225 F. (2d) 88 (9 Cir. 1955). Where there is a fully matured right, then no affirmative act is necessary. *Aure v. U. S.*, *supra*. *In re Joeson*, 117 F. Supp. 528 (U.S. D.C. Hawaii, 1954). Here, if the Appellant had anything, he had a right in the process of acquisition and he had taken no affirmative action.

---

### CONCLUSION.

Appellant was not lawfully admitted for permanent residence. He was not lawfully admitted in the sense that he gained immigration or naturalization benefits from his coming to the United States. Nor is he qualified under any statute which does not require lawful admission.

Dated, Honolulu, T. H.,

September 5, 1956.

LOUIS B. BLISSARD,

United States Attorney,

District of Hawaii.

CHARLES B. DWIGHT, III,

Assistant United States Attorney,

District of Hawaii.

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**No. 15,106**  
**United States Court of Appeals**  
**For the Ninth Circuit**

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<p>RICAREDO BERNABE DELA CENA,</p> <p style="text-align: center;">VS.</p> <p>UNITED STATES OF AMERICA,</p>	}	<p style="text-align: right;"><i>Appellant,</i></p> <p style="text-align: right;"><i>Appellee.</i></p>
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**On Appeal from the United States District Court  
for the District of Hawaii.**

**APPELLANT'S REPLY BRIEF.**

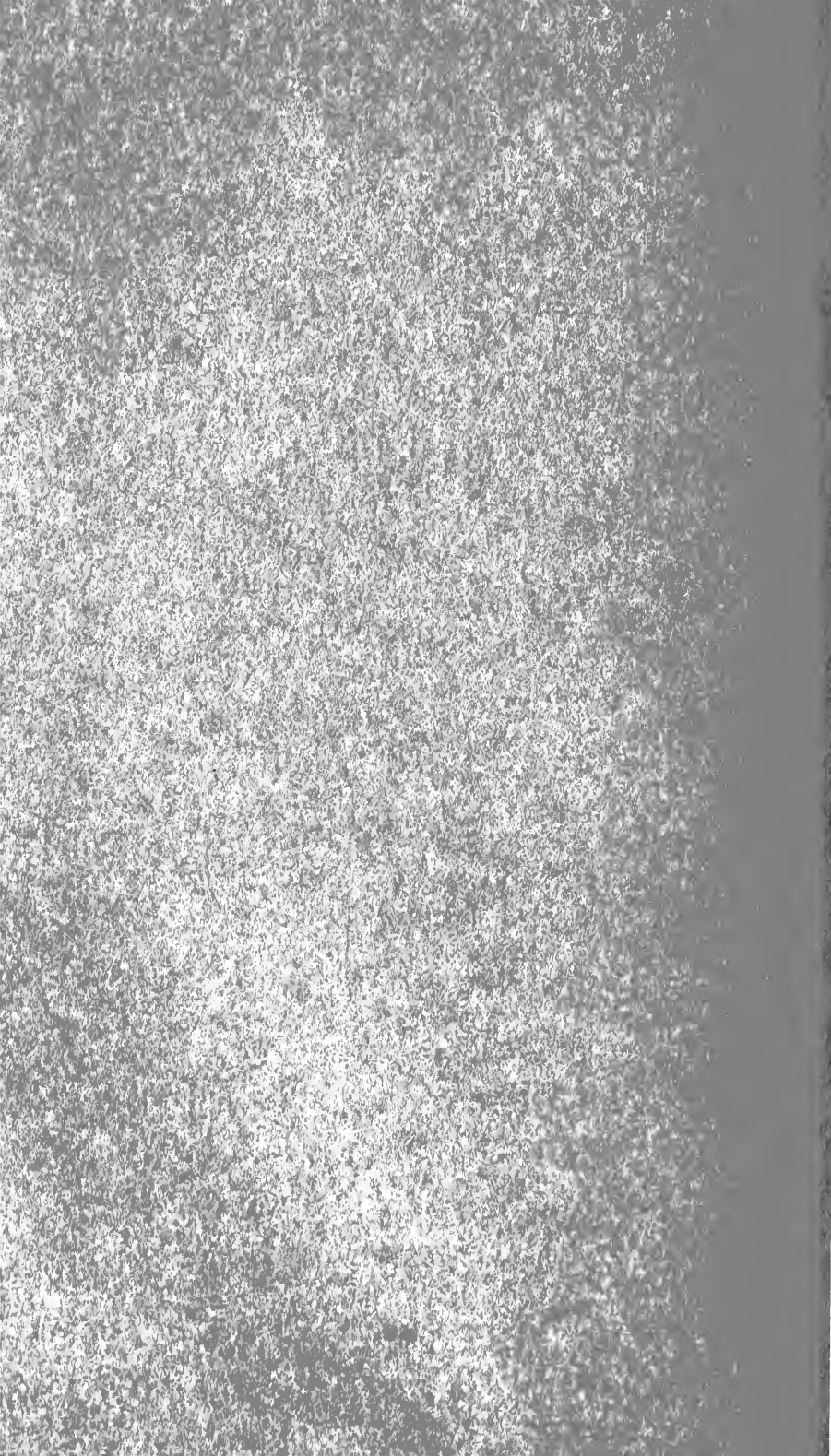
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**FILED**

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**United States Court of Appeals  
For the Ninth Circuit**

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RICAREDO BERNABE DELA CENA,

*Appellant,*

VS.

UNITED STATES OF AMERICA,

*Appellee.*

**On Appeal from the United States District Court  
for the District of Hawaii.**

**APPELLANT'S REPLY BRIEF.**

---

This reply is limited to the questions raised by Appellee concerning whether Appellant qualifies for naturalization under Sec. 324(a) of the Nationality Act of 1940, former 8 U.S.C. 724, or under Sec. 328 of the Immigration and Nationality Act of 1952, 8 U.S.C. 1439.

It is the Appellee's position that Appellant does not qualify for naturalization under the provisions of Sec. 324(a) of the 1940 Act, or under the provisions of Sec. 328 of the 1952 Act, because he was not resident within the United States during a part of the five year period preceding the filing of the petition

when he was not in the Armed Forces. (Appellee's Br.p.14). It is further Appellee's position that Appellant does not qualify for naturalization under the provisions of Sec. 328 on the ground that he was not lawfully admitted for permanent residence. (Appellee's Br.p.14).

Appellant's counsel has been able to find no language in Sec. 328 which requires lawful admission to the United States for permanent residence as a prerequisite to naturalization under that section.

When a petitioner's service in the Armed Forces has not been continuous it is not necessary to allege and prove residence within the United States "during any period within five years immediately preceding the date of filing such petition between the periods of petitioner's service in the Armed Forces" under Sec. 324 of the 1940 Act or Sec. 328 of the 1952 Act unless the petitioner has in fact been resident within the United States. *In re Fleischmann*, 49 F. Supp. 223 (1943-D.C.W.D.N.Y.).

In the *Fleischmann* case the petitioner, as an alien who had had non-continuous maritime service, applied for naturalization under the provisions of Sec. 325 (a)(2) of the Nationality Act of 1940, former 8 U.S.C. 725. Section 325 required compliance with Section 324 (c), former 8 U.S.C. 724(c). Section 324(c) is the same section on which Appellee relies in support of its argument that Appellant to qualify under Sec. 324 must show residence in the United States during the out-of-service period, and is for practical purposes the same as Sec. 328(c) of the 1952 Act. A similar

argument was made by the government in the *Fleischmann* case and the Court stated at page 224:

“It appears palpable that such ‘residence’ in Section 324(c) only calls for such residence as *may be* verified and proved in the same manner as under Sec. 309, *supra*. It would do violence to the clear intent of both Section 324 and Section 325 to hold that only ‘legal residence’ was considered in Section 324(c). If ‘legal residence’ was intended in Section 324(c), then there would be no point in exempting the petitioner from a certificate of arrival except to save him a fee therefor.” (Emphasis supplied)

Likewise in the instant case, there would be no point in granting to an alien who has completed three years of service, whether continuous or not, the right to become a naturalized citizen even though not a resident of the United States at the time the petition is filed or during the periods of his service, and also granting him while in uniform the privilege of entering the United States without an immigrant visa or other travel document (Section 212.4, Title 8, C.F.R.), and then requiring him to allege or verify and prove residence within the United States during the out-of-service period. It must be assumed that Congress was aware of the fact that thousands of aliens saw overseas service in the Armed Forces of the United States.

For the foregoing reasons it is respectfully submitted that neither Sec. 324(c) of the 1940 Act nor Sec. 328(c) of the 1952 Act require proof of residence within the United States during any out-of-service

period within five years immediately preceding the filing of the petition, if, as the facts here show, there was no such residence.

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**CONCLUSION.**

That the appeal should be sustained and the final order of the District Court reversed.

Dated, Honolulu, T.H.,  
September 28, 1956.

HOWARD K. HODDICK,  
*Attorney for Appellant.*

Nos. 15,108 and 15,107

IN THE

United States Court of Appeals  
For the Ninth Circuit

S. BIRCH & SONS, a corporation, C. F.  
LYTLE, a corporation, and GREEN  
CONSTRUCTION COMPANY, a corpora-  
tion, partners doing business as  
Birch Lytle & Green,

*Appellants,*

VS.

L. A. MARTIN,

*Appellee and Cross-Appellant.*

No. 15,108 ✓

S. BIRCH & SONS, a corporation, C. F.  
LYTLE, a corporation, and GREEN  
CONSTRUCTION COMPANY, a corpora-  
tion, partners doing business as  
Birch Lytle & Green,

*Appellants,*

VS.

ROBERT L. MARTIN,

*Appellee.*

No. 15,107 ✓

Upon Appeal from the District Court  
for the District of Alaska.  
Third Division.

BRIEF FOR APPELLANTS.

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FILED

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Nos. 15,108 and 15,107

IN THE

**United States Court of Appeals**  
**For the Ninth Circuit**

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VS.

L. A. MARTIN,

*Appellee and Cross-Appellant.*

No. 15,108

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*Appellants,*

VS.

ROBERT L. MARTIN,

*Appellee.*

No. 15,107

Upon Appeal from the District Court  
for the District of Alaska.  
Third Division.

**BRIEF FOR APPELLANTS.**

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**I. PLEADINGS AND JURISDICTION.**

This is an appeal from two separate judgments entered on the 17th day of January, 1956. The subject causes were, by minute order of September 12, 1955,

consolidated for the purpose of trial. (R Vol. 1-07, page 18.) (Since in the consolidated cases there are two Volumes 1, wherever a notation is made referring to Volume 1, the notation will be prefixed by 07 where it refers to the Robert L. Martin cause, and the notation will be prefixed by 08 when referring to Volume 1 of the L. A. Martin transcript.)

The judgment in the first mentioned cause was entered upon a verdict in favor of the plaintiff, awarding the plaintiff Robert L. Martin \$7500.00 compensatory damages, and \$2500.00 punitive damages against the defendants S. Birch & Son, C. F. Lytle, Green Construction Company and Bud Weber, with costs and attorney's fees fixed by the court. (Vol. 1-07 pp. 54 through 57.)

Judgment in the second cause above mentioned was entered in favor of L. A. Martin, plaintiff, against S. Birch & Son, C. F. Lytle, Green Construction Co., J. P. Bell and Bud Weber. As a result of verdict No. 3 allowing \$7000.00 compensatory and \$2000.00 punitive damages, the court, upon motion of appellants, ordered a remittitur on the part of the successful plaintiff in the amount of \$2500.00 compensatory damages. By minute order and consent to remittitur (R 1-08, pp. 60, 61) the court on January 17, 1956 signed and had entered a judgment against Birch, Lytle & Green, J. P. Bell and Bud Weber in the amount of \$4500.00 actual and \$2000.00 punitive damages, plus costs and attorney's fees. (R Vol. 2, pp. 62-65.) The defendants Birch, Lytle & Green appealed. (Wherever the three corporate appellants appear

herein, for the sake of brevity, they will be designated as Birch, Lytle & Green.)

The causes herewith considered and consolidated for the purpose of trial in the lower court are within the general jurisdiction of the Alaska District Court (48 USCA Section 101; Alaska Compiled Laws Annotated 1949, section 53-1-1.) Jurisdiction of this court to review the judgment of the District Court is conferred by 28 USCA, sections 1291 and 1294.

For the purpose of reviewing the pleadings in the two separate causes that are herein treated in one brief, first, treatment will be given to the Robert L. Martin (07) case, as they are in most respects on all fours with the L. A. Martin (08) case. A short resumé of the L. A. Martin pleadings will be found at the close of this section. As to argument, the appellants will herein adopt one argument for the sake of brevity, since in all essential respects the cases are the same.

Appellee (plaintiff) Robert L. Martin filed his original complaint November 13, 1952, reciting an incident on the 14th day of August, 1952, wherein the employes of the defendants Birch, Lytle & Green, after the completion of their work day (R 1-07, p. 4) were engaged in the drinking of intoxicating liquor, and alleging that Ross McDonald, after becoming intoxicated, caused an argument with the appellee Robert L. Martin ensuing in a fist fight or rough-and-tumble quarrel resulting in mob violence in which the plaintiff suffered physical damage and hurt. Upon the motion of defendants Birch, Lytle & Green, Ross

McDonald and R. E. Wise, the court by minute order granted a motion of dismissal of the original complaint as to said defendants under date of February 13, 1953. (R 1-07, p. 9.)

Thereafter the appellee Robert L. Martin filed an amended complaint (R 1-07, p. 10) on the 24th day of March, 1953, setting forth substantially the same allegations of damage as were contained in the original complaint, except in the amended complaint appellee Robert L. Martin alleged that certain agents, servants and employes under the control of the defendant Ross McDonald, who was the superintendent for Birch, Lytle & Green, engaged in mob violence and did commit felonious assault and battery upon the above named plaintiff. No allegation was made that the individual defendants remained at the job site after work. Said riot and criminal assault are alleged to have occurred on the Anchorage-Seward Highway at a point about six miles south of Anchorage on the 14th day of August, 1952, resulting in the injury and damage to the plaintiff for actual damages of \$50,000.00 and requesting punitive damages in the amount of \$25,000.00.

The amended complaint alleges (R. 1-07, p. 11):

“\* \* \* the defendants, agents, servants and employes engaged in mob violence and did commit assault and battery on the above named plaintiff at a point about six miles south of Anchorage, Alaska, and as a result thereof this plaintiff was severely injured, and both of his eyes were blackened and swollen, with a large laceration about the left eye, causing a hemorrhage into the con-

junctiva, and a contusion about the right zygomatic process, and he was kicked and stomped until his upper left central and lateral incisors were kicked out and loose, and that the lower left central portion and lower incisor teeth were kicked loose from their sockets; the plaintiff was kicked in the back and on the left side until he was black and blue, and that he was stomped and kicked on the right anterior surface of the chest, hand and neck; that the plaintiff suffered a cerebral concussion, and has suffered painful headaches, and has suffered a changed personality, was seriously, painfully and permanently injured."

To the amended complaint the defendants Birch, Lytle & Green, Ross McDonald and R. E. Wise moved to strike certain portions there of (R 1-07, p. 12) including without limitation the portion of plaintiff's amended complaint

"\* \* \* and that the acts complained of were mob violence in violation of the laws of the Territory of Alaska, and did constitute misdemeanors and felonies \* \* \*".

The court by minute order denied the motion to strike (R 1-07, p. 14) under date of April 24, 1953, and gave the defendants Birch, Lytle & Green 15 days within which to answer. (R 1-07, p. 14.)

The defendants Birch, Lytle & Green, in answering, admitted that they were engaged in the joint venture on or about the 14th day of August, 1952, laying hard top at or near the place set forth in plaintiff's amended complaint. They further admit that they

were involved in paving the highway with black top between Anchorage and Girdwood and that the black topping was completed on or about the 14th day of August, 1952, and alleged that the question of whether or not Bud Weber, Joe Sipes, J. P. Bell, John Doe and Richard Roe were in their employment or under the control of Ross McDonald, would depend entirely upon the time of day and the nature of the occupation or acts of said alleged employes at the specific time complained of. They generally denied the allegations of the plaintiff's amended complaint.

The appellants admitted that Ross McDonald was the superintendent in charge of the appellants' project at the time mentioned in plaintiff's amended complaint. The answer of the defendants Birch, Lytle & Green, Ross McDonald and R. E. Wise further alleged that if in fact the plaintiff was injured or damaged in any way at the time set forth in plaintiff's amended complaint, that the same was directly and proximately caused by his own contributory negligence or aggressive action in fomenting an argument with some third party or persons not known to the answering defendants. Both parties demanded trial by jury. (R 1-07, p. 17.) On this state of the pleadings the cause went to trial after a minute order of consolidation. (R 1-07, p. 18.)

The pleadings in the L. A. Martin case, in all essential respects, followed the same pattern as the Robert Martin case. In fact paragraphs I and II are identical, paragraph III differs only in description of personal injuries and paragraph V changes the deadly



weapon from "boots and feet" to "at least one large rock". L. A. Martin in his amended complaint alleged in paragraph IV that he was 51 years of age (R 1-08, p. 11 )and had an expectancy in life, according to the American Experience Table of 20.21 years and that his injuries were permanent in nature and had reduced his earning power. In paragraph V of the elder Martin's amended complaint claim was made that he had suffered \$40,000.00 actual damage and \$25,000.00 punitive damages.

The answer of the appellants to the elder Martin's amended complaint and all other pleadings and motions so nearly approach being identical that no useful purpose can be served by a duplication of recitation herein and accordingly appellants will make no further effort to separate the cases unless by specific reference.

At the close of the appellee's case, motion was made on behalf of Birch, Lytle & Green, R. E. Wise and Ross McDonald for a dismissal of the amended complaint (R 243) which motion was renewed at the close of all evidence on behalf of the same defendants, at which time motion was further made of the court for a directed verdict. (R 408.) The court reserved decision and the cause was submitted to the jury, resulting in a verdict for the plaintiff against Birch, Lytle & Green and Bud Weber. No mention was made in the verdict of the defendants Ross McDonald and R. E. Wise.

Appellants moved for a judgment notwithstanding verdict, and in the alternative for a new trial (R 1-08,

p. 52; 1-07, p. 44) and in the further alternative for order of a remittitur or reduction of judgment consistent with the proof, and moved as a matter of course for an order of remittitur as to punitive damages against the appellants. Appellants took exception to the cost bill filed by appellee and in the alternative moved to strike the cost bill. (R 1-08, p. 54; 1-07, p. 46.)

The court denied all motions except in respect to witness fees in respect to Dr. James E. O'Malley and Nancy Underwood, (R 1-08, p. 59) including the motion for a new trial provided that L. A. Martin, appellee in the companion case, make a remittitur on the verdict under compensatory damages in the amount of \$2500.00, and denied costs and attorney's fees to Wise and McDonald. (R 1-07, p. 51-52; 1-08, pp. 61, 62.)

The defendants Birch, Lytle & Green, Ross McDonald and R. E. Wise were represented by counsel and the individual defendants were present at the time of trial. The defendant Bud Weber was represented by John E. Manders who substituted David H. Thorsness, and was likewise present at the time of trial. J. P. Bell, though not present at the time of trial, was represented by counsel. Accordingly J. P. Bell gave no testimony.

## II. STATEMENT OF THE CASE AND QUESTIONS INVOLVED.

### A. FACTS AND CIRCUMSTANCES.

It should be borne in mind that in the presentation of these two cases, the appellants are, in order to avoid duplication, adopting this brief for the purpose of both appeals prosecuted herein, and since there are two appellees involved, Robert L. Martin on the one hand, age 28 (R 167) and Lemon Allison Martin on the other hand, age 51 (R 1-08, p. 11) father of Robert L. Martin, for the purposes of this brief where the appellants are referring to Robert L. Martin he will be designated as Robert Martin, and Lemon Allison Martin will be designated as the elder Martin.

On the 14th day of August, 1952, the two Martins together with another son or brother as the case may be, were residing in an apartment located approximately nine miles south of Anchorage at an establishment known as Keith & Clara's Place, located just off the Seward Highway between Anchorage and Seward, Alaska. It appears that the appellees Robert Martin and the elder Martin on the day in question, met at the end of Robert Martin's work shift in order that the elder Martin might make application for a job with Arctic Realty (R 110) near Anchorage. The two Martins, after completing the conference with Mr. Hooper of Arctic Realty, left the real estate firm at about 5 o'clock (R 133) and drove some nine miles south of Anchorage (R 161) to Keith & Clara's. There the two Martins engaged for some time with another member of the family in the washing of two motor

vehicles. (R 168.) Thereafter Robert Martin and the elder Martin decided to return to Anchorage to pick up some food for their evening meal and while on their way at a point about six miles south of Anchorage (R 161) observed that the paving gang had completed the laying of black top, or, to use the language of the elder Martin "had wound up the job". The two Martins proceeded to Carr's Grocery at or near 15th and Gambell Street near the southern edge of the City of Anchorage and after completing their purchases, proceeded south bound on their return trip to Keith & Clara's, ostensibly to complete their evening meal.

The Martin vehicle, a late model car (R 157) was being driven by Robert Martin, accompanied by the elder Martin. As they approached mile six on the Seward Highway south of Anchorage they came upon a controlled section of highway approximately 1000 feet in length which was being tended on each end by a flagman. The Martins were waived in from the north end of the controlled highway on the easterly side thereof. Directly across the highway and west of the central portion of the controlled section of the highway there was located a batch plant operated by the defendants Birch, Lytle & Green for the purpose of furnishing black top on the project herein recited. (Appellants' Exhibit C.)

The hour was now between 6:30 and 7 o'clock in the evening (R 118) and the appellants, who had, during the course of the day, employed approximately 55 men in the course of completing the black topping,

then had approximately seven men on the payroll including the defendants R. E. Wise and Ross McDonald, which latter persons were acting in a supervisory capacity and were known as monthly men. (R. 100.) It appears that at or near the end of the shift Ross McDonald, one of the defendants, had arranged for two fifths of whiskey and two cases of beer (R 317) which were placed in the watchman's shack at the plant site in a fashion where the workmen, as they came off shift, could at their leisure have a drink of beer or whiskey in celebration of the completion of the job, as apparently was the custom on the closing of paving projects. No particular invitations were tendered but it was a matter of common knowledge among the workmen that drinks would be available at the end of the shift. So far as can be gleaned from the record, only those employes who were actually off shift and certain Alaska Road Commission employes (R 325) indulged in the privilege of having a drink. (R 346.) Somewhere between 25 and 50 men (R 346, defendants' Exhibit B) accordingly, either had the opportunity to or did indulge in the drinking of whiskey or beer on the occasion above described.

The initial supply of liquor had apparently been consumed because, according to the testimony of R. E. Wise, after completing a patching job some distance south of the controlled area, he was returning with more beer at the time he first observed the altercation hereinafter described. (R 99.)

While the facts are not entirely in agreement as to how the Martins met the Sipes Studebaker in

which Weber and Sipes came to and from work, the results are the same. Robert Martin (at R 203) states:

“Well, as I remember it, (referring to the Sipes car) he backed out on to the road, back towards the south until he turned back on the older pavement and then just started easing forward and we were so close he couldn’t go anywhere neither, so we stopped.”

According to Archie Vermilyea, who was the roller operator still employed and who took no part in the altercation (R 261) the Sipes Studebaker came in from the south end of the controlled section of the highway as the last car in a northbound string of vehicles.

“A. Well, he pulled out from—which we all detoured out around this asphalt from the hot plant—and pulled out around and went down the west side to the southend of this new strip and pulled in and come in the line of traffic.

Q. Now, did you have a chance to observe him as he went down the side?

A. I noticed him going along there—didn’t pay a whole lot of attention, but noticed him going along there.

Q. What took place then, after the two cars met, as you saw it?

A. Well, when they met there, why, this Weber gets out of the car and walks up and talks to this car that was facing them there and then he goes back to this car and I don’t know what he said or anything, but the man got out and knocked him across the ditch. He got up and boom, the man knocked him down again, and

he got up and the man knocked him down again and the man jumped on him.

Q. Now, did—when you say the man—when you refer to the man—

A. The man that was in the taxicab jumped onto Sipes—or, Weber.

Q. I see. Well, did you make any moves to defend Mr. Weber?

A. No, I was going to join the scene there; I had top seat there; I could see the whole works.

Q. What was the occasion for Mr. Sipes and Mr. Weber being in that particular position, if you know?

A. Well, they was in the line of traffic coming from the south and they followed around there and didn't come on through and—just like anybody would stop and mess around—I don't know what they done, but anyhow, they held up; the flagman turned the other traffic in—that's how they both got to meet there—they went up the one strip of road." (R 261, 262.)

In any event it clearly appears that Sipes and Weber, both truck drivers (R 83) were sharing rides in the Sipes Studebaker and that Sipes and Weber were on their way home. (R 370, 371.) Whatever was the occasion for their presence, each of the parties claimed the right of way. The right of way was ultimately given to the south bound traffic which, prior to the fight, had been headed by the Martin car. The Sipes car after the fight left the scene by way of the freshly laid black top on the westerly side of the road. (R 385.) It further appears that there was at least some traffic behind Robert Martin (R 386) and

that there was no traffic or vehicles behind the Sipes Studebaker.

Martin apparently became incensed at the request of Weber to give way and accordingly, having a radio-equipped car formerly used as a Post Cab, Martin placed a call to his headquarters requesting that the Territorial Police be notified, at which time Weber stood back from the Martin vehicle and allegedly stated in substance:

“He’s calling the cops”. (R. 169.)

Weber again approached the Martin vehicle, at which time the Sipes Studebaker gave way and backed across the road, leaving the road clear to the south in order that the south bound traffic might drive on. (R 142, 227, 228.)

It further appears that Martin then revoked or cancelled his call for the Territorial Police (R 112) and Weber, carrying a can of beer in his hand (R 141, 153) approached the left hand side of the Martin vehicle and, according to Robert L. Martin, Weber grabbed Martin by the T shirt (R 169), Martin pushed Weber, Weber grabbed Martin’s arm, Martin hit Weber with the car door. Robert Martin, when he knocked Weber from the car, got one foot outside his vehicle and claims to have been grabbed by Weber. The competitive spirit was apparently aroused in each party and the fight was on—sometimes up—sometimes down. (R 107.)

According to Archie Vermilyea, who had a high position of vantage, Weber was knocked down three



separate and distinct times, just as fast as he could get up. (R 262.) Mr. Weber testified (R 389):

“He struck me. I went down and, as I said, the next thing I remember after being hit and going down was the man astraddle of me with his thumb in my eye. Mr. Sipes come up and pulled him off.”

The elder Martin, upon seeing Robert Martin and Weber go to the ground (R 114) got out of the Martin vehicle on the right hand side, grabbed a tire wrench, allegedly to break up the conflict between his son and Weber. His intentions are moot. His plans for the use thereof were suddenly interrupted by J. P. Bell who struck the elder Martin, which blow caused the elder Martin to assume a reclining position (R 327) on the easterly side of the road, there to abide the balance of the altercation in a state of shock or unconsciousness, to such a point that no further pertinent testimony could be given by said elder Martin (R 144) until some few minutes later following the clearance of the Martin vehicle from the travelled portion of the highway. (R 114, 118.)

At this point Mr. R. E. Wise, one of the named defendants and a salaried employe of the defendants Birch, Lytle & Green, returned from supervising the patching of a small area some distance south of the controlled lane of traffic in front of the batch plant and observed the fight going on between Martin, Weber and Sipes. Accordingly defendant Wise proceeded to “pull Sipes off” from the Martin-Weber-Sipes fight (R 92) leading him across the road to a

spot near the scale house and at the same time asked other parties not identified, to separate the remaining adversaries Martin and Weber. The Martins were restored to their car.

Though there is some conflict as to why the Martins remained at the scene, it seems reasonably well established that Robert Martin requested by radio that the Territorial Police (R 330, 171) be sent to Keith & Clara's together with an ambulance. The ambulance never arrived (R 238) but some 20 minutes to a half an hour later the Territorial Police, after having passed the batch plant and gone to Keith & Clara's, returned to the scene of the accident, conducted a short investigation and proceeded to dismiss the Martins, who went to their home.

It is established by uncontradicted evidence that the defendants J. P. Bell and Duane J. Weber signed out on their time cards and were not employed after 5:30 and 6 o'clock respectively. (See Exhibit A.) Cecil Sipes completed his shift at 5:30 P.M. (See Exhibit B.) According to the testimony of the superintendent Ross McDonald, there was a total of seven employes who worked for the defendants Birch, Lytle & Green on the day in question after 6:30 o'clock P.M. (See R 323, defendants' Exhibits A and B.) In any event it would clearly appear that the defendants Duane J. Weber and J. P. Bell were, at the time of participating in the acts complained of by Martin, signed out and clearly off the payroll of Birch, Lytle & Green, free to go their way and not acting for their former employers. Weber and Sipes were in fact on their way home.

As a result of the alleged injuries sustained by the Martins arising out of the facts above recited, appellee Robert L. Martin suffered no loss of employment but returned to work the next day. (R 232.) His total pecuniary loss appears to be between \$250.00 and \$350.00 for an upper plate (R 404) by reason of the loss of two teeth and a loosening of two others. (R 241.) It appears that Robert L. Martin, in the company of the elder Martin, received his only treatment of moment from Nancy Underwood (R 123) who dressed his wounds on the evening in question. (R 165.)

Robert Martin proceeded with his employment with Northwest Airlines (R 232, 233) until the 28th day of December, 1952, when he was struck by a car and hospitalized between December 28, 1952 and March 1, 1953 (R 233) suffering rather severe personal injuries in the form of cerebral contusions and lacerations, contusions of the right kidney, multiple contusions and abrasions, possible vertebral bony trauma, although no fracture evident, fractured pelvis, fractured left transverse process of L5, fractured left tenth rib posteriorly. (R 235, 132.) Following the December 28, 1952 accident and resultant hospitalization, Robert Martin continued in the employment of Northwest Airlines until December, 1954. (R 167, 233.)

Be that as it may, the only physician attending either of the appellees, exclusive of repair to dentures, appears to be the attention received on or about the 16th day of August, 1952, when they visited Dr. James

O'Malley of Anchorage for the purpose of a physical checkup and more than three years later, a few days before the trial (R 193) again visited Dr. James E. O'Malley for a checkup, apparently for the purposes of a comparison study for the trial of the pending cases. Neither plaintiff nor defendant doctors was able to separate the damage attributable to Robert Martin's two occasions of trauma, to-wit: August 14, 1952, the incident involved in this litigation, and the incident of December 28, 1952, (R 234) still in litigation at the time of this trial. (R 201, 272.)

The elder Martin likewise complains of residual headaches but gave testimony of rather constant employment from and after the date of the accident (R 125, 126, 130, 131) save and except some five days of almost uninterrupted rest and sleep following the August 14, 1952 accident. Dr. O'Malley, at R 194, apparently was not aware of this symptom of hibernation until the time of trial. The only outlay of cash on the part of the elder Martin was the sum of \$225.00 (R 129) for a new set of dentures, by reason of the altercation on August 14, 1952, wherein the elder Martin claimed that his dentures were broken and his gums and mouth lacerated, as a result of the facts alleged in the amended complaint.

The elder Martin was not seen by Dr. O'Malley from August 16, 1952 until a few days before the trial (R 194), according to the testimony of Dr. O'Malley. The elder Martin, however, testified, at R 127, that he saw Dr. O'Malley three or four times and was given some tablets for his headaches. Otherwise than that no medical attention was given to the elder

Martin, who eventually decided that he would leave the Territory for Seattle, Washington, and he testified that the move was not made because of his health. (R 127.)

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#### B. SPECIFICATIONS OF ERROR.

1. That the evidence was insufficient to establish the relationship of employer and employe, master and servant or principal and agent as between the appellants and the participants in the wrongful acts complained of by the plaintiff.
2. That there was insufficient evidence to establish that the appellants were guilty of an intentional tort.
3. That the verdict was contrary to the law and to the evidence.
4. That the trial court erred in denying defendants Birch, Lytle & Green's motion for a directed verdict made at the close of the plaintiff's case and renewed at the close of all evidence.
5. That the trial court erred in denying appellants' motion for judgment notwithstanding verdict.
6. (07) That the trial court erred in denying appellants' motion for a remittitur.
6. (08) That the trial court erred in ordering a remittitur as to the general damages and making no remittitur as to the punitive damages.
7. That the trial court erred in instructing the jury as excepted to by the appellants at the time of trial, and particularly erred in instructing the jury on mob violence.

8. That the trial court erred in failing to instruct as requested by the appellants.
9. That the verdict is excessive.
10. That the trial court erred in submitting punitive damages to the jury so far as the appellants are concerned.
11. That the trial court erred in its minute order of February 9, 1956 in respect to the fixing of interest upon the judgment.

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### III. ARGUMENT.

#### A. INSUFFICIENT EVIDENCE; ERROR OF TRIAL COURT IN DENYING APPELLANTS' MOTION FOR DIRECTION.

The arguments covered under appellants' first point are raised by specifications 1, 4 and 5. It is submitted that the determination of the relationship between the appellants and the actors herein is one of prime importance in disposing of several of the points covered in this argument. These questions were raised at the time of trial by motion on the part of appellants for a dismissal at the close of plaintiff's case and renewed again at the close of all evidence.

Appellants submit that the law almost universally holds that where the inference is clear that there is, or is not, a master and servant relationship, the determination of that question is one of law for the court—otherwise it is a matter for the determination of the jury upon proper instructions by the court. (See *Peetz v. Masek Auto Supply Co.*, 74 NW (2d) 474, Citing the Restatement, Agency, Section 220, page 483.)

To recite a case in point, attention is called to the case of *Orville J. Quinn v. Whiteman Airport Co.*, decided in the District Court of Appeal, Second District, Division One, of California, April 19, 1955, on which a rehearing was denied on June 16, 1955, found at 282 Pac. (2d) page 88. In that case Orville J. Quinn, plaintiff and appellant, rented for \$10.00 a month, the right to land and take off and to tie down his airplane at the airport of defendant Whiteman Airport Company. Western Aviation Co., the other defendant, leased from Whiteman Airport Co. a large airplane hangar with the concession for the sale of gasoline and oil. On May 24, 1952, the plaintiff appeared at the airport, intending to wash his airplane. He saw a stepladder standing on the premises of Western Aviation Co. and asked an employe of that company if he could use or borrow the same to wash his airplane. This employe said:

“Sure, go ahead and use it.”

The plaintiff thence took the ladder, placed it alongside his airplane and as he climbed to the third step thereof it gave way, causing him to lose his balance and break both arms. It was found that an iron rod or rung under the third step of the ladder was broken. It appeared to be a fresh break.

The plaintiff brought this action for personal injuries against the two named defendants on the theory that the employe of Western Aviation Co. was an agent of defendant and appellee Whiteman Airport Co.

At the close of the evidence on the part of the plaintiff, the trial judge granted a motion for a nonsuit

as to both defendants. An appeal followed which was affirmed. Such a case as the one recited above is a case in which the evidence was clear and convincing and one in which reasonable minds should not differ, and accordingly although each case must be determined with a view to the surrounding facts and circumstances, the character of the employment, and the nature of the wrongful act, there should be no quarrel with the conclusion of the court. It might be conceded that where the facts are more difficult the court should generally leave to the jury the question as to whether or not the act was or was not such as to be within the scope of the employment.

To the best knowledge of the appellants, the only reported Alaska case dealing closely with this subject contains a set of facts which, quite contrary to the *Quinn* case above recited, are harshly slanted toward the existence of the relationship, such as the circumstances that we find in *Novick v. Gouldsberry*, 12 Alaska 267, 173 Fed. (2d) 496, which case is interesting because of the type of employment dealt with, to-wit: a bartender. In that case Gouldsberry walked into a bar and ordered a beer. Carroll was tending bar and in charge thereof. Carroll's wife, who had recently been divorced from Gouldsberry, was sitting at one end of the bar. Gouldsberry was in for a quiet evening and pleasantly congratulated Carroll on the marriage and offered to buy Carroll and the former Mrs. Gouldsberry a drink. A conversation ensued between Gouldsberry and Mrs. Carroll, in which Mrs. Carroll confided that people were telling lies about



her. After a little more talk, Gouldsberry told Mrs. Carroll:

“Well, I don’t suppose you bought another man a bathrobe and I had to pay for it.”

Carroll then struck Gouldsberry in the face with a bottle, knocking him to the floor and the ensuing struggle caused great bodily harm to Gouldsberry and subsequently lodged him in jail and in the hospital, resulting in the institution of a suit by Gouldsberry and a resultant verdict in his favor for \$2500.00 compensatory and \$1000.00 against Carroll and his employer Novick. The employer Novick appealed. The judgment of the lower court was affirmed upon appeal. The court in discussing the master’s liability for the servant’s tort, stated in substance that it was the accepted law that the master may be liable for the wilful and malicious act of a servant within the scope of his employment. It indicated further that a master who authorizes a servant to do acts which may call for the use of force is liable, although the servant exceeded the boundaries of necessity in seeking to achieve the result. The court there cited the Restatement of The Law, Agency, Volume 1, Section 245, comment D. The court further said:

“At the same time, the master is not liable if the act of the servant was done with the sole intent of achieving an independent result. When this is the case, the mere fact that the act which caused the harm was done while the servant was acting in the employment and on the employer’s premises would not result in liability.”

The court pointed out that there was nothing to show that the bartender was authorized or employed to commit assaults but it is found that he was authorized to *maintain order* and cited the Restatement of Agency, Section 245, comment A at page 548, which indicates that employment of this character is:

“One which is likely to bring the servant into conflict with others . . .”

“Accordingly if in the exercise of his control over the premises, he commits an assault upon another, the employer will be held liable. . . .”

In the case at bar it must be borne in mind that according to the best view of the evidence in favor of the plaintiff, the incident complained of occurred at or near 7 o'clock P.M. It has been variously stated as between 6:30 o'clock P.M. and 7:30 o'clock P.M. on the 14th day of August, 1952. If the relationship of master and servant is to be found controlling upon the appellants, it most certainly would have to be found to have existed between one or more of the two known individuals participating in the fist fight or quarrel with Robert L. Martin. Those persons were namely Duane J. (Bud) Weber, whose timecard by defendants' Exhibit A shows him to have ceased employment for the appellants at 6 o'clock P.M., or J. P. Bell, whose timecard, according to defendants' Exhibit A, shows him to have ceased employment at 5:30 o'clock P.M. on the day in question.

It would therefore unequivocally appear that the jury was actuated by malice or passion, a misapprehension or a distortion of the law, in arriving at its

verdict, for it can plainly be seen that if Bell and Weber are, under the instructions, determined to be in the employment and in the course and scope of the appellants' employment, acting in furtherance thereof, that they must thus be so considered notwithstanding the fact that they had, for 30 minutes to an hour and a half, been off the payroll. Weber and Sipes were truck drivers. J. P. Bell was a roller operator and none of the parties was even remotely doing a task in connection with their work at the time of the acts complained of by the appellees. Weber in fact was on his way home when the altercation occurred.

If in fact the master-servant relationship continued to exist between the actors and the appellants after their termination for the day it then becomes but a matter of degree to determine how far up the road this employment relationship and service to the appellants would continue. Does it exist for one mile, two miles, until the participating individuals reach their homes, or where does the relationship cease? Insofar as J. P. Bell is concerned, since his time card shows him to have checked out at 5:30 P.M. (Exhibit A) on the day in question, the clear indication is that he was doing nothing to further the interests of the appellants. J. P. Bell was in fact a collateral participant in the altercation that was initiated between Weber and Robert Martin. The most that could be said is that his occupation prior to 5:30 o'clock on the day in question was the circumstance for his presence. J. P. Bell's actions are not explained except by conjecture. It would seem that he struck the elder

Martin solely for the reason that the elder Martin was about to use a tire wrench on either Weber or Sipes.

Before the actions of the participants Weber or Bell could be chargeable as the act of the appellants it must be conceded that the law would require that their actions fall within the well established formula covering that relationship. The formula, although varying under the many states of fact, would generally require that the actors should be under the control of the appellants; that the actors at the exact time of doing the unlawful act alleged must be furthering the business or affairs of the appellants; that the conduct of the actors should reasonably or necessarily flow from the actors as a result of the relationship between the actors and the appellants; and that the conduct of the actors should be within the range of the apprehensibility of the appellants.

It is submitted that the facts herein recited fail to meet the test in respect to any of the standards or requirements. The situation confronting us here, stated in another way, is simply that the Sipes car and the Martin car were both on the public highway at a place where they had a right to be but that as surely as a person cannot be two places at one and the same time it follows that two vehicles could not occupy space intended only for one. As a result of a useless quarrel over a ridiculous premise the resultant alleged damages occurred. If the appellants are to be charged with responsibility hereunder it would certainly have to be on some other basis than that of the master and servant relationship. There is no

evidence to support the master and servant, employer-employee or principal and agent relationship at the exact time complained of in the pleadings. In fact it is not certain from the pleadings that the appellees intended to urge or attempted to prove that such a relationship existed, for their claim as set forth in their pleadings is based upon mob violence or riot.

It is to be noted further that the proffered instructions on the part of appellees, most of which were disallowed, were based upon riot, battery or mob violence.

It is the contention of the appellants that the facts most favorably interpreted in favor of the plaintiff, would indicate clearly that the participants Weber and Bell were clearly acting outside of the scope and course of their employment to a far greater degree than was the case in *Great A & P Tea Co. v. Aveilhe*, decided July 25, 1955, rehearing denied September 8, 1955, cited at 116 Atl. (2d) page 162. The case itself is no landmark of distinction by virtue of the fact that it comes from the Municipal Court of Appeals of the District of Columbia, but the law which it cites is nonetheless compelling. In that case the clerks, while stacking food goods in a market, indulged in horse play, knocking one of said clerks to the floor, colliding with the plaintiff, causing her resultant injury. The court in holding for the defendant followed the doctrine as set forth in *Evers v. Krouse*, 70 NJL 653, 58 Atl. 181, 66 LRA 592, wherein it was said:

“An act done by a servant while engaged in the work of his master may, but entirely dis-

connected therefrom done, not as a means or for the purpose of performing that work, but solely for the accomplishment of the independent, malicious, or mischievous purpose of the servant—is not in any sense the act of the master, and for the injuries resulting to a third person from such an act the servant alone is responsible.”

The Fifth Circuit Court of Appeals dealt with a similar case in 1933, *Western Union Telegraph Co. v. Hill*, 67 Fed. (2d) 487. In that case an employe in a state of intoxication made obnoxious overtures to a lady customer who had come to the store to have a clock repaired. The employe Sapp said in substance:

“If you will come behind the counter and let me love and pet you I will fix your clock.”

The court held that there was insufficient evidence to go to the jury as to the employer corporation. The court, in meeting the test of whether the servant Sapp was acting within the scope of his employment, held that the evidence was lacking. The employment there as in the case at bar merely furnished a setting wherein the occurrence took place.

The court (with tongue in cheek) said in substance:

“Even if Sapp made use of that language, he obviously was not thinking of the clock in the store.”

The plaintiff Hill claimed an assault by servant chargeable in damages to the master. The Fifth Circuit Court of Appeals determined otherwise.

If such be the case during the admitted course of employment and if the courts, as is so well pointed out, except the wilful act of the servant even though done during the course of employment, when he steps aside from such employment to perpetrate a wrong upon a third person, then certainly in the case at bar there can be no responsibility as against the appellants. Where the acting parties have clearly ceased employment and do an act that could hardly be conceived or expected by the employer, the court should as a matter of course, take from the jury deliberation on the damages chargeable to the master. The *Great A & P Tea* case follows the very early case of *Goodloe v. Memphis and C. R. Co.*, decided in the Supreme Court of Alabama, found at Vol. 18 So., page 166. Reading from the syllabus of that case:

“At a station platform on defendant’s road, one of the defendant’s servants, while engaged in a playful scuffle, was unintentionally pushed against plaintiff, who had purchased a ticket, and was preparing to go upon the train, thereby causing him to fall from the platform and sustain injuries. HELD, that the conduct of defendant’s employees was not fairly incident to their employment, and the defendant was therefore not liable.”

It is difficult to conceive how, in the case at bar, any of the participating parties could have been deemed to be in the pursuance of the interests of the appellants. Contrariwise, it appears to be a situation where reasonable men could not differ and that the

participants were indulging in the satisfaction of a personal mischievous whim.

It will be recalled that in *Pac. Tel. & Tel. Co. v. White*, decided in the Ninth Circuit Court of Appeals on the 15th day of June, 1939, cited at 104 Fed. (2d) 923, the court there, in holding against the appellant Pac. Tel. & Tel. Co. set forth the true test from *Tyler v. Moore, et al.*, 111 Ore. 499, 226 Pac. 443. The test there established by the court is as follows:

“\* \* \* the true test of whether a master is liable for the act of his servant is whether the servant at the time of the commission of the injury was performing a service for the master in furtherance of the master’s business, and not whether it was done in exact observance of detail prescribed by his employer.”

The principle involved arises from the maxim of common law (*respondeat superior*). In English it is expressed by the mandate, “Let the superior respond.” It means that the principal or the master should be answerable for the acts of his agent or servant. It is based upon the principle that a duty rests upon every person, corporate or otherwise, in the management of his or its own affairs, whether by himself or his agents or servants, so to conduct themselves as not to injure another, and that if the master fails in that duty and another is injured, he shall answer for the damage.

In the *Pac. Tel. & Tel. Co. v. White* case, *supra*, the Ninth Circuit went into a complete review of the existent Oregon law, citing, so far as we can ascertain,



all of the case law up to that time on the subject of master and servant and damages, and gave particular treatment to the *Gill v. Selling* case, 125 Ore. 587, and the *Fuller, et al. v. Blanc* case, 83 Pac. (2d) 434, which cases the appellants discuss elsewhere herein. The *Pac. Tel. & Tel. v. White* case was distinguished from the *Selling* and *Blanc* cases on the grounds that in the *Selling* and *Blanc* cases the court in making its decision had not treated with the dignity of the servant involved. It will be recalled that in the *White* case the Ninth Circuit, in affirming a judgment of the lower court assessing punitive and actual damages against the employer corporation, held that H. A. Hansley, the chief special agent for Pac. Tel. & Tel. Co. was of such stature in the management and control of his segment of the telephone company's business that his acts would in fact bind the company so as to make the servant's act an intentional act of the corporation, allowing actual and punitive damages.

There is nothing in the *White* case that indicates that the holding of *Fuller v. Blanc* or *Gill v. Selling* is not now or should not be good law providing that the facts of the case fall within the framework of the latter. The appellants contend that in the case at bar the servants involved were menial in nature and not only had the employment ceased but the acts of the agents themselves were clearly beyond any possible scope, intent, purpose, use, benefit, advantage or contemplation of the appellants.

It is a foregone conclusion that before the rule may be applied it must be shown that the relationship of

principal and agent or master and servant exists at the time that the damage was done and that the servant was acting in the course and scope of his employment. It should further be emphasized that *in the course of his employment* is not synonymous with the phrase *during the period covered by his employment*. In the light of this formula the appellants' argument, when applied to the facts heretofore recited upon calm reflection, lead to but one conclusion: the relationship of master and servant did not exist at the time of the acts complained of in the appellee's complaint and accordingly the court should have taken from the jury that question, and the direction in favor of appellants should have been made.

The existence or non-existence of the master and servant relationship in the case at bar, gives rise to another ridiculous and ill-reconcilable situation. The jury, in its finding, remained silent in respect to those employes R. E. Wise and Ross McDonald, who were the only employes admittedly in the employment of the appellants and could, as appellants believe, have done some act in the course and scope of their employment and in the furtherance of the interests of the appellants. The appellants contend that by the failure of the jury to make any mention in its verdict of the defendants' employes Ross McDonald and R. E. Wise, that it has in fact made a finding in favor of the only admitted employes of the appellants who were made defendants on trial of the case at bar. If the court reaches the same conclusion as the appellants in this regard there would be found another

compelling reason for reversal herein by reason of the conflict which is well expressed in the case of *Dixie Ohio Express Co. et al. v. Poston*, Fifth CCA 1948, cited at 170 Fed. (2d) page 446.

In that case the appellees Poston and Weathers brought suit against Dixie Ohio Express Co. and W. E. Killian and L. E. Revels, employes of said company, Mrs. Poston for damages on account of the death of her husband, which occurred when the car which he was driving ran into the rear end of the appellant's truck parked on the highway and Weathers for resultant damage. The jury returned the following verdict:

"We, the jury, find for the plaintiff, Mrs. Ida Poston, against the Dixie Ohio Express Co., Inc., and the American Fidelity and Casualty Co., Inc., the sum of (\$5000.00) five thousand dollars damages."

"We, the jury, find for the plaintiff, M. W. Weathers, against the Dixie-Ohio Express Co., Inc., and the American Fidelity & Casualty Co., Inc., the sum of (\$5000.00) five thousand dollars damages."

In the *Poston* case the lower court construed the verdict to be a finding in favor of the defendants Killian and Revels and entered like judgments to that effect in each case. The court says in part and we quote:

"Numerous Georgia cases conclusively establish the rule in Georgia that where the master was not and could not have been guilty of negligence ex-

cept through the acts of its servant on the principle of respondeat superior, no liability could be imputed to the master where its servant was exonerated when he alone performed the act which constitutes the basis of the charge for negligence.”

It is true that the case above cited is from the state court of Georgia and while we have been unable to locate a parallel holding either in Alaska or under Oregon statute except by analogous reasoning, the *Fuller v. Blanc* and *Gill v. Selling* cases might apply.

The holding in the *Georgia* case above cited is well supported by other authority of parallel reasoning. Attention is called to *Erie R.R. Co. v. Johnson*, decided in 1939 in the Sixth Circuit Court of Appeals, 106 Fed. (2d) at 550, and *Evans v. Hughes and Cecil's Inc.*, a 1955 decision from the United States District Court of North Carolina, cited at 135 Fed. Supp. 555. In the latter case Hughes, a night watchman, shot and severely maimed Evans. Hughes' family was residing on the employer's property in a trailer house located in a housing development under construction. Evans was meddling about the trailer house. The Hughes family became alarmed and upon the theory that Evans was trying to break into the cabin and refused to vacate upon shouted order, Hughes blasted him in the face with a shotgun. The court there held that upon the discharge of Hughes on the theory that he had the right to protect his home and property even though located on company property, such a discharge likewise operated to discharge the employer. It is true that it is a sort of a reverse situation to the case

at bar in that Hughes was clearly an employe at the time of doing the alleged wrongful act, whereas in the present situation the former employes were clearly off duty. The rule is nonetheless controlling.

The appellants contend that the relationship of master and servant is no more maintainable under the present set of facts than it was in the case of *United States v. Eleazer*, cited in the Fourth CCA November 7, 1949, on which certiorari was denied by the United States Supreme Court and cited at 177 Fed. (2d) 914. In the *Eleazer* case a Lieut. Talley, who was stationed at Cherry Point Marine Base in North Carolina, had received an order under date of August 15th, directing him to report to Corpus Christi, Texas, but authorizing him to

“Delay in reporting until September 1, 1946, such delay to count as leave”

and providing that

“The travel herein enjoined is necessary in the public service.”

Lieut Talley left Cherry Point on August 20th driving his own vehicle accompanied by his sister, intending to drive to Raleigh, North Carolina, then to go to Atlanta, Georgia, whence after a brief stay he would proceed in his automobile to his post at Corpus Christi in time to report for duty on September 1st as required by his orders. An accident occurred whereby the plaintiff brought suit under the Federal Tort Claims Act although so far as the theory of master and servant is concerned the appellants contend that

the law applicable is the same. The lower court had held for Eleazer and the judgment of the District Court was reversed and remanded with directions to enter judgment for the United States. In that case the result is not different than the one urged by the appellants but the opinion is particularly well reasoned and recited such noteworthy authority as Mr. Blackstone. The late Judge Walter H. Sanborn of the Eighth Circuit, in his opinion in *Standard Oil Co. v. Parkinson*, 152 Fed. 681, laid down a still further test. In that case the court recites:

“The test of one’s liability for the act or omission of his alleged servant is his right and power to direct and control his imputed agent in the performance of the casual act or omission at the very instant of the act or neglect. There can be no recovery of a person for the act or omission of his alleged servant under the maxim, ‘respondeat superior’, in the absence of the right and power in the former to command or direct the latter in the performance of the act or omission charged, because in such a case there is no superior to respond.”

Appellants contend that in the case at bar at the time of the act or alleged acts complained of, there was no superior to respond and the facts are manifold in support of that conclusion. All parties, as the record amply discloses, had ceased employment for the appellants save and except R. E. Wise and Ross McDonald, insofar as this litigation is concerned. The main participating parties were free to go their way and indeed were on their way home. What clearer

proof could be required that the actors Weber, Sipes and Bell were on their own?

The appellants contend that the appellee's case is no better, no worse, than when originally pled and dismissed by the trial court for failure to state a cause of action.

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#### **B. INSUFFICIENT EVIDENCE TO ESTABLISH RIOT.**

The appellees have excepted to the judgment of the trial court in specifications 2 and 3 on the ground that there was insufficient evidence to establish that the appellants were guilty of an intentional tort and that the verdict was contrary to the law of the evidence.

These questions were likewise raised on trial by motion made at the close of the plaintiff's evidence and for a direction at the conclusion of all evidence.

Each of the subject cases is premised upon the same type of action as will be seen by a review of the pleadings. Nowhere in the appellee's pleadings is there any mention made of negligence. The master, appellants herein, is sought to be charged by virtue of the fact that its employes and servants were guilty not only of an intentional tort but that the employes engaged in mob violence and did commit an assault and battery contrary to the Territorial law.

It is necessary, accordingly, that we review the Territorial law covering this particular subject. The attention of the court is called to chapter 10, ACLA 1949, section 65-10-1:

“Riot and Unlawful Assembly: Definition. That any use of force or violence, or any threat to use force or violence, if accompanied by immediate power of execution, by three or more persons acting together and without authority of law, is riot. Whenever three or more persons assemble with intent, or with means and preparations, to do an unlawful act, which would be riot if actually committed, but do no act toward the commission thereof, or whenever such persons assemble without authority of law, and in such manner as is adapted to disturb the public peace or excite public alarm, or disguised in a manner to prevent them from being identified, such an assembly is an unlawful assembly. (CLA 1913, sec. 199; CLA 1933, sec. 4904.)”

The situation before us obviously is not one that would be within the contemplation of the statute above recited. To justify the verdict of the jury three or more actors must have assembled with intent or with means and preparation to do an unlawful act. Since the jury by its verdict in the Robert Martin case, has determined that there is but one actor, appellants are led to the inescapable conclusion that the jury in its determination of the facts entirely missed the theory of the appellee's case and failed to consider the instruction in that regard contained in the court's instruction No. 16. The court there said:

“Under the laws of the Territory of Alaska, any use of force or violence, or threat to use force or violence, if accompanied by immediate power of execution, by three or more persons acting together and without authority of law, is a riot,



and if you find and believe from the evidence that three or more persons in the execution of some private object assembled together for an unlawful purpose, every man is guilty of all acts done in execution thereof, or contributing or tending to that purpose; if they met for an unlawful purpose and proceeded to an unlawful act, it is a riot provided it resulted in a breach of peace. You are further instructed that the mere presence of a person does not of itself determine that such an individual was a participant or acted in the riot if in fact you find from all the evidence that a riot did in fact take place.”

Since in fact the jury by its verdict in both cases, has entered a self-contradiction, there being insufficient actors to comply with the riot theory, and since that is the theory upon which the plaintiff built his case against the appellants, it is accordingly contended that the verdict holding the appellants was error and should have been set aside.

The appellants contend that the quantum of appellee's proof must meet the test of the statute within the appellee's plead case. Under the statute, a minimum number required to act would be three persons. And before the court could sustain this verdict it would have to determine that the quantum of proof under the Alaska statute had been satisfied completely within one person, namely, Bud Weber, who was the only individual person charged with the responsibility in the Robert Martin case. In the L. A. Martin case the jury did find two actors responsible but is still short by one of meeting the requirement of the com-

mon law which is the same as the Territory of Alaska, to-wit: three actors.

How anything could be more ridiculous, self-contradictory or repugnant to candid thought is, as appellants believe, inconceivable. Accordingly it is appellants' contention that the plaintiff in the lower court in each case completely failed in the discharge of the proof necessary or requisite under the pleadings.

As appellants see the facts, they are relatively simple. When we discard the dramatized testimony of Robert Martin, a part of which is found at R 210, the facts are less complicated:

“A. Well, I thought so. Like I say, when it started, when I hit the ground, I thought that everybody in the country had gone home and got their relatives and the whole bunch piled on. I never saw so many people come in one time in all my life.”

Such testimony could hardly do anything short of inflame passion or prejudice and certainly was not consistent with the evidence, even viewed in the light most favorable to the appellee. Robert L. Martin and Bud Weber, each en route to their respective homes, got into a fight as to who was to have the right of way and it seems quite evident that Robert Martin was either holding his own or had a slight margin over his adversary, at which time Joe Sipes, most likely seeing his partner being outnumbered, so to speak proceeded to go to the rescue and undoubtedly did jerk or pull at the hair of Robert Martin

and may have delivered a blow or two. At the same time while Robert Martin was slightly at a disadvantage, Bud Weber may have gotten in a lick with the assistance of Sipes, at which time R. E. Wise appeared and separated Sipes from the quarrel.

During the intervening time the elder Martin observing Sipes coming to the rescue of Weber, who was probably at that time the underdog, decided that he would even the match by the use of a tire wrench. J. P. Bell who was likewise observing the scuffle undoubtedly came over to assist in breaking it up, promptly retired the elder Martin with a blow to the face or body. At that point the fight was over and other parties formerly employed by Birch, Lytle & Green separated the adversaries.

As has been pointed out heretofore, the appellants excepted to the court's instruction No. 16 on the grounds that there was insufficient evidence to give an instruction on riot and that the instructions failed to indicate that the mere presence of a person does not constitute involvement. (R 415.) The court upon such objection added to instruction No. 16:

“You are further instructed that the mere presence of a person does not of itself determine that such an individual was a participant or acted in the riot, if in fact you find from the evidence that a riot did take place.”

It is contended by the appellants that the verdict and resultant judgment in each of these cases on the theory of riot is repugnant to sober thought. By force of numbers alone the verdicts fail to meet the funda-

mental test of instruction 16 even though appellants contend there was insufficient fact to warrant the giving of the instruction. It should be noted that in 46 *Am. Jur.* at section 17, page 135, under Riot, Unlawful Assembly, the text writers have this to say:

“ . . . However, since at common law a riot cannot be committed by less than three persons, if the jury acquit all but two of several indicted for riot, they must acquit those two also, unless it is charged in the indictment and proved that they committed the riot with some other person not tried in that indictment, . . . ”

The appellants have tried unsuccessfully to find recent case law on this particular point and there appears to be a dearth of authority. It would accordingly appear that the question is of such fundamental nature that authority is unnecessary. It would seem only reasonable if in a criminal action where all save two of the actors are discharged then the others must likewise be discharged, then the civil side of the alleged criminal act should be governed by the same rule or counterpart in reason.

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**C. THAT THE TRIAL COURT ERRED IN GIVING  
INSTRUCTION 14.**

Exceptions have been taken to the instructions of the court by the appellants, the greater portion of which become moot in view of the other argument herein contained. This exception was raised at the close of the trial at R 414 wherein appellants' counsel

excepted to said instruction because it fails to reflect or distinguish between the responsibility for the unlawful act of third parties and makes the defendant corporation an insurer. Instruction No. 14, which appellants urge was arbitrary and erroneously given and clearly error, reads as follows:

“You are further instructed that it is the duty of a person or corporation in custody and in the control of property, to use care to prevent persons lawfully coming upon said premises from injury, and if you find and believe that the defendants did not exercise that degree of care for the protection of persons using the highway under the care of the defendants to protect them from injury, then the defendants would be liable and the plaintiffs would be entitled to recover against the defendants and each of them who failed in their duty to protect the plaintiffs, who you may find were lawfully using the restricted area of the roadway under the control of the defendants Birch, Lytle & Green, as described in plaintiff’s complaint, and their agents, servants and employes.”

Appellants contend that nowhere in the appellee’s pleadings is there such a contention made on behalf of the plaintiffs below and that accordingly the instruction as given by the court is an orphan and not warranted under the evidence.

It should be conceded for the sake of argument that the appellants’ responsibility in the case at bar should be founded on one of two bases: either the appellants violated their duty while acting through their servants,

agents or employes to the plaintiff, or, two, the appellants participated in a riot which is in the nature of a conspiracy, therefore responsibility arose under that theory of law.

It should be conceded further that the theory on which the appellee brought his case and plead and proved his case was on the latter theory, even though the court instructed on both theories hereinabove recited.

Appellants contend that it was clearly erroneous for the court to go beyond the pleadings and the proof and to give instructions which add an additional and third theory of possible recovery for the appellees. The appellants accordingly contend that the same is reversible error.

The appellants have sought in vain to find support or authority for the giving of such an instruction as No. 14. One would expect that such notable authority as Randall or Reid's might cover the subject. Extensive search has been made in both Randall's Instructions to the Juries, volume 4, 1922 edition, and Reid's Branson Instruction to Juries, volume 4, third edition, 1936. No such instruction appears under the Master-Servant section of those works on instructions. It appears manifest that a corporation being an inanimate creature of law and being capable of action only through its servants, agents or employes, would receive the attention of these students of the law if the matter were worthy of consideration.

**D. THAT THE VERDICTS ARE EXCESSIVE.**

This matter, as set forth in exception No. 9, was raised at the time of trial by motion made at the close of plaintiff's evidence and renewed at the close of all evidence and by special motion for a judgment for the appellants (R 1-08, 52; 1-07, 44) and in the alternative for a new trial or a remittitur to not exceed \$2500.00 in each case.

We think it can be conceded without citing authority in support thereof that there is no exact crucible in which can be tested the award of damages in this or any other case. If in fact this court finds adversely to the appellants on the other points which, as appellants believe, should be controlling herein, then we must of course consider the question of excessiveness of damages. The fundamental basis for award of damages in civil actions is the just compensation and indemnity or reparation for loss or injury sustained. The cases on that point are abundant. The formula is flexible and assuming for the sake of argument that the cause was properly presented to the jury, it is one largely within the jury's discretion unless good or compelling reason can be shown to the appellate court for ordering a reversal or a remittitur.

Since the law controlling damages in the hands of the jury is most flexible, it is not easily overturned by reason of the fact that as the great preponderance of the authorities state each case must be determined on its own special facts and circumstances. The courts have repeatedly held further that a comparison dollar for dollar with other verdicts given in different places

at different times and under different circumstances do not necessarily help, nor do they necessarily reflect error on the part of the jury in the judgments at bar. This is indeed a difficult and evasive formula with which to treat.

In the case at bar we must then consider the special facts applicable to Robert L. Martin and the damages he sustained, as they might be chargeable against the appellants. It will be recalled in the first place that the employer-employee relationship which existed between the appellants and the actors for some time prior to the alleged acts, terminated at the time the actors completed their shift and started for home. The employment that had existed did furnish a stage whereon the occurrence took place.

Robert L. Martin testified that he lost no work as a result of the altercation complained of in his amended complaint (R 232, 233) and although he states he took lighter work following the altercation, no particular reason is given for the lighter work. No history of medical attention is set forth in the testimony and accordingly it must be assumed that Robert Martin's bruises healed in the usual course of events and that his recovery was uneventful. It is true that on August 16, 1952, according to his doctor's testimony, he appeared for an examination at Dr. James E. O'Malley's and again approximately three years later appeared before Dr. James E. O'Malley some few days just prior to trial. It must be conceded that the greater portion of Robert L. Martin's symptoms were subjective in nature except for those



in evidence immediately following the altercation itself, which would be limited to lacerations and superficial cuts and the ultimate removal of the remaining upper teeth to accommodate an upper denture at a cost of \$250.00 to \$300.00. It is to be noted that at R 404 Robert Martin was not sure of this amount, nor did he know for sure who did his dental work.

In the case of the elder Martin it is true that the testimony most favorable to him discloses that he had four or five days of hibernation although as has been heretofore pointed out, Dr. O'Malley was unaware of this condition even though he was the only physician consulted. (R 194.) We learn that L. A. Martin made \$1600.00 while working approximately 45 days as a real estate merchant. Shortly thereafter he was employed by the United States government as an appraiser at a yearly salary of \$6400.00, which employment he followed for five months. Thereafter for a period of about eight months he and his sons operated a real estate agency in Anchorage until the elder Martin decided that he would like to move to Seattle. The elder Martin's post injury history to say the least was not remarkable. (R 125, 127.) Both plaintiff and defendant doctors in taking physical checkups, report that their findings were substantially negative. The elder Martin was declared to be in a good state of general health for a man of his years. The younger Martin was described as a fine specimen of manhood, (R 271) weighing some 200 pounds and who gave to the defendants' doctor a history of complaint that dealt largely with the low back and accordingly could

only be associated with his injury of December 28th, at which time he sustained an L5 damage according to his testimony. (R 235, 236.)

The pecuniary loss in each case was limited to the placement or the repair of dentures.

The cases reviewed that might shed light on this particular subject are not, as hereinabove pointed out, of great compelling force upon the court, nor are they too helpful. In those cases where damages assessed by the jury are clearly excessive the courts are likely to enter a per curiam opinion and merely state that the verdict is obviously excessive and the judgment affected by misunderstanding, malice or passion on the part of the jury, and order a remittitur and say no more. Such a case is *Baumann, respondent, v. Gulf Oil Corp.*, Supreme Court, appellate division of New York, under date of January 16, 1956, cited at 147 N.Y. Supp. (2d) 735. The court in that case merely says that a personal injury action \$31,000.00 verdict was grossly excessive and ordered a remittitur to the amount of \$10,000.00 or in the alternative a new trial.

The question is what should the reviewing court do in those cases where damages appear excessive and the claimant puts in largely subjective evidence? In other words, he says "I hurt" as in this case where the appellee Robert L. Martin says "my head aches from time to time and it didn't before the accident" yet the doctors (R 186) are unable to attribute those headaches to anything other than subjective symptoms. (R 268.)

L. A. Martin likewise gave a history of head and neck aches but not constant. At R 126 in referring to his physical condition after he opened a real estate business apparently in 1953, he stated as follows:

“For the first four months, I felt pretty good, but if I’d get out and get a cold, I’d take a headache and I couldn’t stand no strain of any kind. . . .”

In this respect a review of the case of *Harding v. Kansas City Public Service Co.*, 1945, cited at 188 SW (2d) at page 60, might be helpful. In that case the court ordered a remittitur as a condition to granting a new trial. At the time of the accident the plaintiff was employed at a weekly wage of \$30.00. According to his own evidence he lost five weeks’ time and then went back to work at various employments as was specifically detailed in the reported case. The total pecuniary loss was shown by the record to be \$200.00. In the *Harding* case the appellant contended that under the evidence the plaintiff’s injuries were only minor and temporary and that the jury by reason of prejudice or having been misled awarded a verdict that was grossly excessive and demanded a remittitur of \$3500.00. The injury claimed to have been sustained was a sprained wrist and back and the history of employment contradicted excessive low back pains and accordingly the \$2000.00 remittitur was ordered from the verdict and judgment in the amount of \$5000.00. The court said there in part:

“Evidence in behalf of plaintiff shows that his condition at the time of the trial was greatly im-

proved; that he had improved considerably and was much better than when he was first examined in November, 1941. This was the testimony of his own doctor. The evidence is not sufficient to justify the amount of damages awarded in this case. The verdict must meet the test of good conscience. On the entire record it is difficult to account for the amount of the verdict in this case except upon the ground of prejudice or a misunderstanding of their duty by the jurors. It is possible that the jury was misled by the instruction on the measure of damages directing the jury to take into account plaintiff's injuries and disabilities. Scrutiny of the entire record leads to the conclusion that the amount of damages allowed in this case is such as to shock the judicial sense of right, and that a manifest injustice would be done defendant to permit the judgment in its entirety to be affirmed."

The court in that case likewise pointed out the futility of attempting to compare one case with another in instances such as these where each case must be reviewed in the light of its own facts. The court said as follows:

"Both parties cite cases which they claim to be somewhat analogous to sustain their respective positions, but they are of little aid because each case must be determined according to the particular facts and circumstances disclosed in evidence."

With the above in mind it is probably useless to burden this court with analogous or comparative situations of case law taken from other jurisdictions.

However, for what it may be worth, appellants call the attention of the court to *Hayes v. Illinois Central Railroad*, decided in the Court of Appeals of Louisiana, First Circuit, October 6, 1955, rehearing denied November 22, 1955 (83 So. (2d) 160). The court there in substance stated that where the petition prayed for damages in the amount of \$2000.00 for pain and suffering, and \$3000.00 for permanent injury for the breaking of a left arm and some trauma to the left leg, might well support a \$2000.00 award for pain and suffering but an additional award of \$2000.00 for permanent injury, unsupported by medical evidence, and sustained only on the ground that the claimant hurt, was clearly excessive and accordingly the latter award of \$2000.00 for permanent disability was reduced to \$500.00.

The appellants are not to be understood as waiving their contention that they are not responsible in any event under the facts recited in this case merely by reason of the fact that we go in here to the question of damages. Appellants contend that on the state of the record and the medical testimony given where neither the plaintiff doctor (R 201) nor the defendant doctor (R 272) was able to separate the injuries of the appellee Robert L. Martin between the two separate and distinct occasions of trauma, one being the case in controversy on August 14, 1952, and the other one being December 28, 1952, in which latter case the appellee Robert Martin was in a state of unconsciousness for a considerable length of time and spent upwards of two months in hospital as a result thereof,

on which claim litigation was still pending at the time of trial of the present cause. It would appear obvious where the appellee Robert L. Martin showed pecuniary loss not to exceed \$350.00, no cessation of employment and his damages were limited to loss of teeth, that an award for actual or compensatory damages in the amount of \$7500.00 is clearly excessive, particularly when the only continuing symptoms are subjective in nature.

As has been heretofore pointed out on the authority of *Fuller v. Blanc*, 83 Pac. (2d) at page 434, the master is not responsible or answerable in punitive damages unless it can be demonstrated from the evidence that the agent committed the wrong with the master's knowledge and with his ratification. Certainly the record herein is barren in respect to any knowledge or ratification of the alleged wrong done on the part of the actors herein.

While the *Fuller* case is not controlling in respect to excessive damages, it does treat with damages and particularly with punitive damages as it applies to the master and accordingly we feel that a more mature consideration of the facts of that case is warranted under this section of the argument.

The Supreme Court of Oregon on the 18th day of October, 1933, in the case of *Fuller, et al., v. Blanc*, 83 Pac. (2d) at page 434, considered the question insofar as it applies to punitive damages. In that case the defendant below, appellant and respondent to a plaintiff's suit which sought to charge damages caused by the trespass of grazing sheep to the irrigation

ditch belonging to the plaintiff below, the defendant in the lower court was in possession and control of a band of sheep which, for about two weeks, was grazing on the land over which plaintiff's irrigation ditch was maintained. The land was owned by a Mr. Bain and at said time was used for grazing purposes by the defendant under an agreement with Bain.

Plaintiff's testimony tended to show that the supply of water in said irrigation ditch was materially lessened at the time said sheep were being grazed on said land by the defendant and as a result various crops depending on said water supply were seriously damaged. There was also testimony disclosing the nature and the extent of the damage to the ditch itself. There was no testimony in the record by anyone claiming to have seen said sheep driven upon or into said irrigation ditch. There was no testimony to the effect that the defendant had personal supervision over the sheep. The testimony showed that the camp tenders and herders employed by the defendant were in charge of the sheep at all times. The appellate court sustained the award for compensatory damages but upon the question of punitive damages the court had this to say:

“... there is nothing in the record challenging or questioning the fact that defendant had camp tenders and herders in charge of the sheep in question. While it is in evidence that for a day or two defendant, himself was at the premises in suit during the time that the sheep were there, there is nothing in the record tending to disclose that the damage to the ditch was done while the

defendant was present. There is nothing indicating that any unpleasantness or trouble had occurred between the plaintiff and defendant. As far as this record discloses, their only contact with each other occurred when one of the plaintiffs, Mr. Fuller, met the defendant and told him that the sheep were grazing on plaintiff's land, whereupon defendant at once agreed to pay for such grazing. Nothing was said to defendant about any damage to the ditch. Defendant testified that he knew nothing about the plaintiff's claim for damages to the ditch until an attorney for plaintiff, at Walla Walla, presented a demand for payment. This is not denied or controverted."

The court further said:

"In this jurisdiction a principal cannot be held in punitive damages for act of his agent committed without his knowledge and without ratification by the principal."

The court there cited *Gill v. Selling*, 125 Ore. 587, 267 Pac. 812, 58 ALR 1556.

In that case the court dealt particularly with punitive damages and asked itself whether or not the trial court erred in submitting to the jury the question of punitive damages. The court said and we quote:

"Whether the evidence was sufficient to go to the jury on this issue was a question of law for the court to determine. *Rennewanz v. Dean*, 114 Or. 259, 229 Pac. 372."

The court further said that in some jurisdictions the principal may be held in punitive damages for the acts of his agent, even though done without his knowl-



edge or subsequent ratification, but not so in this jurisdiction.

Appellants submit that the case law of Oregon on this particular point is representative of the weight of authority and the dictates of common sense and good judgment.

Manifestly the verdict as applied to these appellants was excessive if not clearly erroneous.

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**E. THE TRIAL COURT ERRED IN FIXING  
INTEREST ON THE JUDGMENTS.**

The appellants have excepted to the judgment of the court in that the judgment entered in each of the consolidated cases was dated January 17, 1956, and by specific order therein contained, interest on said judgments was assessed at the rate of 6% per annum from and after ten days following the date of the jury's verdict, or October 18, 1955. The appellants except to the entry of interest from and after said date on the basis of Federal Rules of Civil Procedure Rule 58. It is conceded that in the absence of a pending motion to set aside a verdict, judgment should have been entered forthwith upon the return of the verdict. It might further be conceded for the sake of argument that if appellants' motion had been frivolous or sham or even in the case of being denied that the court might conceivably enter interest from and as of the date of the verdict, but where, as in this case, the court not only had the motion for a judgment notwithstanding verdict and in the alterna-

tive a new trial before it, but the court did in fact order a remittitur in the L. A. Martin case, such action on the part of the court appears arbitrary and athwart the law in such case made and provided.

Attention of the court is called to the case of *Murphy v. Lehigh Valley R. Co.*, 158 Fed. (2d) 481. The court said as follows:

“On the plaintiff’s appeal the judgment should be modified in respect to the allowance of interest, Had there been no pending motion to set aside the verdict judgment could, and should, have been entered forthwith with the clerk in accordance with the rule 58, Federal Rules of Civil Procedure, 28 USCA following section 723 c. But after the motion was made it had to be decided before any judgment could be entered. The motion was granted conditionally with leave to the plaintiff to file a remittitur. This was done and the court made the judgment order on October 11, 1945. That was when the notation of the judgment in the civil docket should have been made and it became the judgment day. Rule 79 (a). Since there was no date previous to October 11, 1945 on which the judgment could have, and should have, been entered it became the date from which interest was allowable.”

The court further cited there *Louisiana & Arkansas R. Co. v. Pratt*, Fifth Circuit, 142 Fed. (2d) 847.

The case cited is on all fours with the situation confronting us in the case at bar. It is true that the verdict of the jury was rendered and dated October 8, 1955. However, between October 8, 1955 and January 17, 1956 there were pending before the court

several motions. It will be seen at R 1-07, p. 51 that the minute order denying motion for a new trial, granting motion for remittitur and denying motion for allowance of attorney's fees and court costs for defendants Wise and McDonald, was entered in the journal on December 30, 1955. There was some slight delay between December 30, 1955 and the date of actual entry of judgment because this very question was then before the court for hearing and until the hearing was concluded and the court made its decision it is the contention of the appellants that there could be no conclusive obligation on the part of the appellants and the retroactive assessment of interest was clearly erroneous.

Apparently the court in setting the interest to commence 10 days following the verdict of the jury concluded that no execution could be taken on the judgment under the Federal Rules of Civil Procedure until ten days after the entry of judgment and further reasoned that the judgment should have been entered forthwith following the jury's verdict on the 8th of October, 1955. Whatever the reasoning of the court it is clear that the rule laid down in *Murphy v. Lehigh Valley R. Co.* is well reasoned and controlling. The trial court accordingly erred.

---

#### IV. CONCLUSION.

Appellants are aware that the reviewing courts as a matter of general practice go no further in the consideration of a case than is necessary to establish

the end result. Appellants contend that the failure of the appellee to establish evidence of the relationship of master and servant between the actors and the appellants at the time of the alleged wrongful acts, entitles the appellants to a direction and should accordingly call for reversal as to the appellants by this court.

The appellants admit there is lack of clarity in the drawing of the lines of battle because appellee's case was pled, instructions requested and proof attempted under the theory of riot and unlawful assembly. There is, as appellants contend, a complete failure of proof on this point and the verdict of the jury being self-contradictory, should on either of the premises above stated be set aside.

Should the court agree with either of the conclusions of the appellants above stated, the balance of the argument would become moot. The appellants contend that such a conclusion in no way detracts from the merits of the argument instruction 14 should not have been given under the facts and pleadings, nor that the damages are clearly excessive in all amounts over \$2500.00 in each case. Insofar as appellants urging a \$2500.00 maximum is concerned, it is admitted that \$2500.00 in each case is an arbitrary determination but no formula of reason known to appellants would justify a verdict in more than five times the amounts of the actual or pecuniary loss, under the facts here presented.

With appellants' argument in regard to interest there should be no quarrel. The law is clear and un-

equivocal that until there is a judgment there is no obligation upon which to premise a payment of interest.

The judgment of the lower court should be reversed.

Dated, Anchorage, Alaska,

November 9, 1956.

DAVIS, RENFREW & HUGHES,

By JOHN C. HUGHES,

*Attorneys for Appellants.*



No. 15,108

United States Court of Appeals  
For the Ninth Circuit

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S. BIRCH & SONS, a corporation, C. F. LYTLE,  
a corporation, and GREEN CONSTRUCTION  
COMPANY, a corporation, partners doing  
business as Birch, Lytle & Green,

*Appellants,*

vs.

L. A. MARTIN,

*Appellee.*

L. A. MARTIN,

*Appellant,*

vs.

S. BIRCH & SONS, a corporation, C. F. LYTLE,  
a corporation, and GREEN CONSTRUCTION  
COMPANY, a corporation, partners doing  
business as Birch, Lytle & Green,

*Appellees.*

BRIEF OF CROSS-APPELLANT  
L. A. MARTIN.

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BELL, SANDERS & TALLMAN,

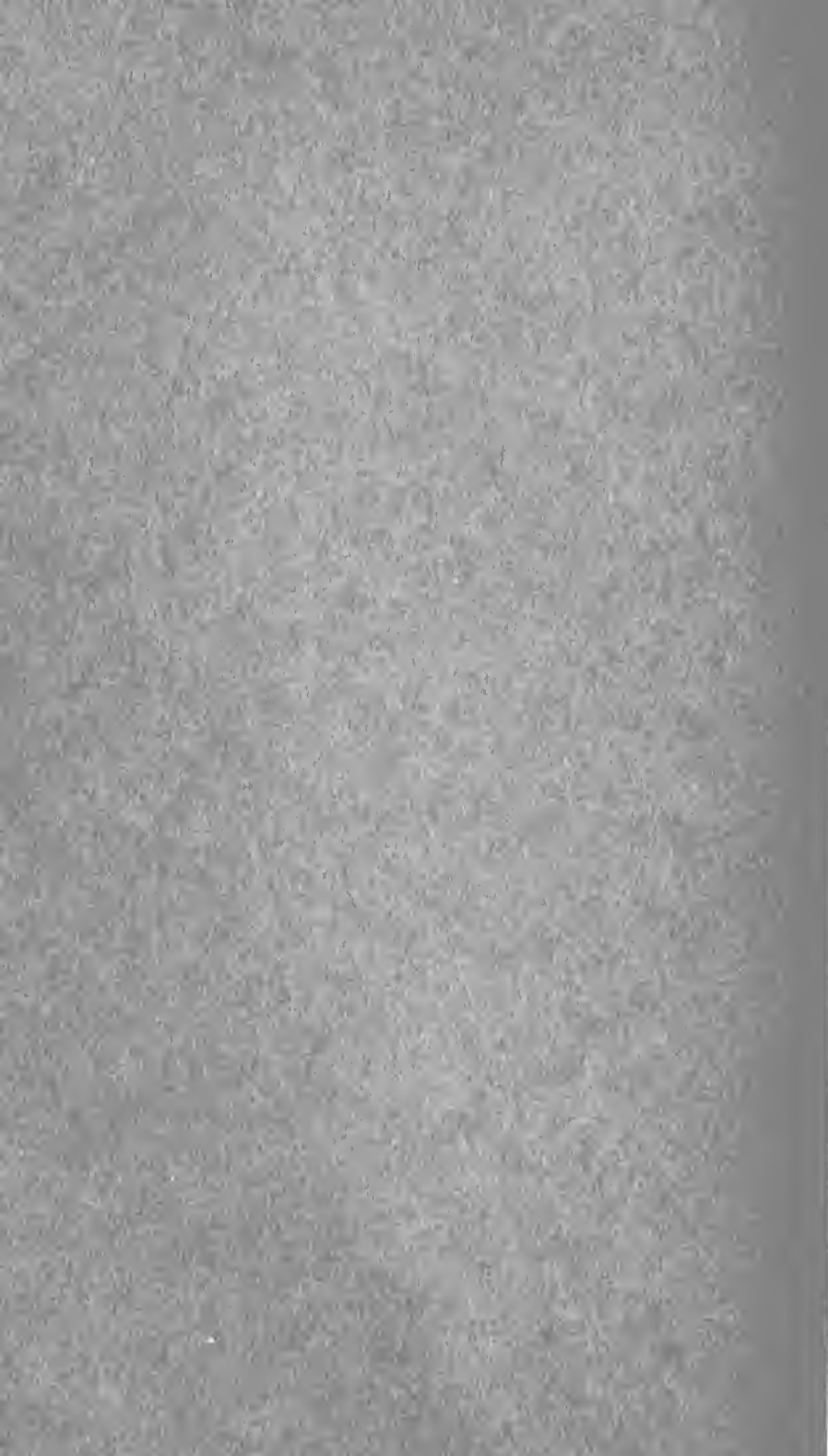
Central Building, Anchorage, Alaska,

*Attorneys for Cross-Appellant.*

FILE

JAN 16 1957

PAUL P. O'BRIEN, C





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**United States Court of Appeals  
For the Ninth Circuit**

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S. BIRCH & SONS, a corporation, C. F. LYTLE,  
a corporation, and GREEN CONSTRUCTION  
COMPANY, a corporation, partners doing  
business as Birch, Lytle & Green,

*Appellants,*

vs.

L. A. MARTIN,

*Appellee.*

---

L. A. MARTIN,

*Appellant,*

vs.

S. BIRCH & SONS, a corporation, C. F. LYTLE,  
a corporation, and GREEN CONSTRUCTION  
COMPANY, a corporation, partners doing  
business as Birch, Lytle & Green,

*Appellees.*

---

**BRIEF OF CROSS-APPELLANT**

**L. A. MARTIN.**

---

**STATEMENT OF PLEADINGS AND JURISDICTION.**

For the purposes of this cross appeal, cross-appellant adopts the statement on pleadings and jurisdiction as set out in the brief of appellants.

**STATEMENT OF THE CASE.**

The facts for the purpose of this cross appeal are the same as are set forth in the appellees' brief herein. In addition to the facts set forth in appellees' brief, however, the following facts are pertinent to the question of remittitur.

On October 31, 1955, upon a hearing on various motions, the Court entered the following order, quoted in part herewith (R 58-59):

“Whereupon, Court having heard the arguments of respective counsel and being fully and duly advised in the premises, denied motions for Judgment for Birch, Lytle & Green, and motions for judgment in accordance for Directed Verdict, as to Defendants Bell and Weber, and Motion in alternative for New Trial as to Defendants, Bell and Weber; reserved its decision as to question of Remittitur and counsel for Defendants, Birch, Lytle and Green given to the 20th day of November, 1955 within which to file brief on question of remittitur, counsel for plaintiffs to have ten (10) days thereafter within which to file answering brief.”

Then on December 30, 1955, the Court entered an order on the question of a remittitur, the pertinent part of said order is quoted herewith. (R 60-61.)

“It Is Ordered that motion for new trial, be, and it is hereby denied as to all defendants provided that in cause No. A-8237, L. A. Martin will make a remittitur on the verdict under compensatory damages in the sum of \$2,500. . . .”

Following the last indicated order a consent to remittitur was filed for the cross-appellant on the 6th day of January, 1956.

Then on January 17, 1956, a judgment was filed and entered based upon the verdict of the jury and the order of remittitur. (R 62-65.)

Following a notice of appeal by the appellants, who are the appellees for the purpose of this cross-appeal, the notice of cross appeal was filed on behalf of the cross-appellant, with said notice of cross-appeal duly and timely filed.

---

#### **SPECIFICATIONS OF ERROR.**

1. That the Remittitur ordered in this case as an alternative to a new trial was inconsistent with the jury instructions given by the Court.

2. That a motion for a new trial had already been denied when the Remittitur as an alternative to a new trial was ordered.

3. That the Remittitur was not based upon such error as to order a Remittitur as an alternative to a new trial.

4. That the Remittitur was not based upon any reason and was arbitrary.

5. That the Remittitur in this case was ordered as an alternative to a new trial in this case and in the case bearing docket number 8212, entitled Robert L. Martin versus S. Birch & Sons, et al., thereby placing

the burden of the conditions of two cases upon Cross-Appellant.

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## ARGUMENT.

### I.

**THAT THE REMITTITUR ORDERED IN THIS CASE AS AN ALTERNATIVE TO A NEW TRIAL WAS INCONSISTENT WITH JURY INSTRUCTIONS GIVEN BY THE COURT.**

The Court erred in granting a remittitur in this case since such action is inconsistent with the instructions given by the Court to the jury. If the jury had failed, in any respect, to follow the instructions of the Court, then it might be argued that a remittitur could possibly lie to cure the defect. No such failure on the part of the jury has been shown.

In Instruction No. 3, at page 24 of the record, the Court clearly sets forth the demands of the plaintiff in this suit. The Court also sets forth the summary of the answer, wherein the defendants denied liability and alleged contributory negligence. Then in Instruction No. 5, at page 26 of the record, the Court leaves it up to the jury to determine the amount to be awarded the plaintiff, with the pertinent part quoted as follows:

“In that event, it is your duty to determine from the evidence what sum plaintiff is entitled to recover as damages by reason of the alleged injuries caused by defendants . . .”

Thus, the Court has indicated what the plaintiff is asking and then tells the jury that it is up to the jury

to determine the amount that the plaintiff can recover if he proves his case. Again, in Instruction No. 25, at page 41 of the record, the Court further instructs the jury that it is the duty of the jury to determine the amount and the pertinent part of the instruction is quoted:

“In such circumstances, the jury has the duty to arrive at the proper amount of damages for physical injury or physical or mental pain and suffering by the direct testimony, by inferences drawn from the evidence and from the common knowledge and experience which members of the jury possess of men and life.”

From the foregoing, it can be seen that the Court has instructed the jury that the jury is to determine the amount to be given to this plaintiff if he proves his case. Then after the jury has determined the amount, in accordance with the instructions, the Court has ordered a remittitur as an alternative to a new trial.

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## II.

**THAT A MOTION FOR A NEW TRIAL HAD ALREADY BEEN DENIED WHEN THE REMITTITUR AS AN ALTERNATIVE TO A NEW TRIAL WAS ORDERED.**

On October 12, 1955, the defendants filed a motion for judgment for defendant Birch, Lytle & Green. This motion included as an alternative, a motion for a new trial as follows (R 53):

“In the alternative, the defendants Birch, Lytle & Green pray for a new trial in this matter, and

in the further alternative the defendants Birch, Lytle & Green move for an order of remittitur or reduction of judgment consistent with the proof of the plaintiff . . .”

This motion was argued on October 31, 1955, and the Court apparently disposed of the motion, but did reserve its decision as to the question of remittitur. (R 57-59.) Thus it appears that the Court disposed of the defendant Birch, Lytle & Green’s motion, but reserved decision on remittitur. It should be noted, however, that a minute order was entered on December 30, 1955, which did condition the denial of the motion for a new trial upon the remittitur in cause No. A-8237. (R 60.) However, the question of remittitur should have been moot at that time.

---

### III.

**THAT THE REMITTITUR WAS NOT BASED UPON SUCH ERROR AS TO ORDER REMITTITUR AS AN ALTERNATIVE TO A NEW TRIAL.**

**THAT THE REMITTITUR WAS NOT BASED UPON ANY REASON AND WAS ARBITRARY.**

The Court erred in granting a remittitur without showing some error that the remittitur would be presumed to correct, and without giving any reason for the ordering of a remittitur.

No opinion was given as to why a remittitur would be ordered in this particular case and nothing in the record indicates any possible reason for the granting



of a remittitur. The minute order, granting the remittitur as an alternative to a new trial, appears at pages 60-61 of the record. The pertinent part of the minute order is as follows:

“It is ordered that motion for new trial, be, and it is hereby denied to all defendants provided that in cause No. A-8237, L. A. Martin will make a remittitur on the verdict under compensatory damages in the sum of \$2,500.”

No error on the part of the jury, nor error on the part of the Court was discussed, cited or urged by defendants to support the granting of a remittitur.

An excessive verdict by the jury appears to be the main reason for the granting of remittiturs and it appears that this is true under the Federal Rules of Civil Procedure. The remittitur is ordered as an alternative to a new trial under Rule 59. The following are head notes from Federal Court cases supporting this rule:

“Amount of damages to be awarded to plaintiff in action for injuries is primarily a question of fact for jury, but if trial judge is convinced that amount of damages fixed by jury is too high he can properly ask for a remittitur as an alternative to his granting a new trial.” *Fiedler v. Chicago and N.W. Ry. Co.*, 204 F 2d 515.

“Where excessive damages are awarded in tort action trial court may not arbitrarily reduce damages but must afford plaintiff opportunity to make remittitur if plaintiff desires and must grant a new trial if plaintiff does not make remittitur.” *Bucher v. Krause*, 200 F 2d 578.

“A trial judge has the power to remedy the injustice of an excessive award by insisting on a remittitur as an alternative to a new trial.” *Wetherbee v. Elgin, Joliet & Eastern Ry. Co.*, 191 F 2d 303.

“Where court considers verdict returned in favor of the plaintiff as excessive, proper procedure is not to grant a new trial absolutely but only conditionally, with an order of remitter.” *Magee v. General Motors Corp.*, 117 F. S. 101; vacated on other grounds, 213 F 2d 899.

“Where court considers verdict returned in favor of the plaintiff as excessive, proper procedure is not to grant a new trial absolutely but only conditionally, with an order of remitter.” *Groben-gieser v. Clearfield Cheese Co., Inc.*, 94 F. S. 402.

“Where jury, after being properly instructed by court, returns an excessive verdict, court, in exercise of its judicial discretion, may make a conditional order granting a new trial unless the plaintiff remits the excess.” *Fornwalt v. Reading Company*, 79 F.S. 921.

Another case similar to the cases last above cited is *Rice v. Union Pacific RR Company*, 82 F.S. 1002, which holds, among other things, as follows:

“Where verdict and judgment awarding damages for personal injuries are clearly excessive, district court may deny a motion for a new trial upon condition that successful party remit and release a portion of the verdict and judgment found to be in excess of the highest appropriate recovery and in default thereof grant a new trial.”

This case also points out at pages 1007 and 1008 that the Supreme Court has approved the power of the Court to condition the denial of a new trial on a remittitur. The two leading Supreme Court cases on this point are *Northern Pacific Ry. Co. v. Herbert*, 116 U.S. 642 and *Dimick v. Schiedt*, 292 U.S. 474. It should be noted, however, that the remittiturs in these cases are based upon the determination that the verdict is excessive. And in the *Rice* case, this question is discussed throughout the opinion with the Court using such expressions as “in aid of the Court’s consideration of the attack upon the amount of the verdict, . . .” and “from that study the Court has concluded that the verdict is excessive . . .” and “on the other hand, the verdict and judgment should not be allowed to stand, in the face of the determination that they are clearly excessive . . .” It is this very point in which the case at bar differs from the cases cited, and that is that there has never been a determination that the verdict in this case was excessive, *not even by inference*.

The rule indicated by the above quoted Federal cases could well be the rule in Alaska, since excessive damages is one of the grounds under the Alaska Statute. The Statute is quoted: Sec. 55-7-132 A.C. L.A. (1949):

“The former verdict or other decision may be set aside and a new trial granted, on the motion of the party aggrieved, for any of the following causes materially affecting the substantial rights of such party:

“First. Irregularity in the proceedings of the court, jury, or adverse party, or any order of the court, or abuse of discretion by which such party was prevented from having a fair trial;

“Second. Misconduct of the jury or prevailing party;

“Third. Accident or surprise which ordinary prudence could not have guarded against;

“Fourth. Newly discovered evidence, material for the party making the application, which he could not with reasonable diligence have discovered and produced at the trial;

“Fifth. Excessive damages, appearing to have been given under the influence of passion or prejudice;

“Sixth. Insufficiency of the evidence to justify the verdict or other decision, or that it is against law;

“Seventh. Error in law occurring at the trial and excepted to by the party making the application.”

If the remittitur in this case was ordered as an alternative to a new trial because of excessive damages, it appears that it would also have to be “excessive damages, *appearing to have been given under the influence of passion or prejudice . . .*” (Emphasis supplied.) This is the Alaskan Statutory ground under excessive damages, and in view of Rule 59 of the Federal Rules of Civil Procedure, wherein a new trial may be granted “(1) in an action in which there has been a trial by jury, for any of the reasons for which new trials have heretofore been granted in actions at law in the Courts of the United States . . .”, it appears

that excessive damages, appearing to have been given under the influence of passion or prejudice would be a ground upon which to move for a new trial. The defendants have not only failed to mention the question of excessive damages but have never suggested the influence of passion or prejudice. For that matter, the defendants have never alleged any ground in their motion for a new trial and motion for an order of remittitur except to state that the punitive damages should never have been submitted to the jury. The defendants' motion for the remittitur as an alternative to a new trial is included in their motion for judgment for defendants Birch, Lytle & Green and that part pertinent to the remittitur appears on page 53 of the record. The pertinent paragraph is quoted in full:

“In the alternative the defendants Birch, Lytle & Green pray for a new trial in this matter, and in the further alternative defendants Birch, Lytle & Green move for an order of remittitur or reduction of judgment consistent with the proof of the plaintiff, which remittitur should reduce the recovery of the plaintiff in any event to not more than \$2500.00 and should as a matter of course order the remittitur of punitive damages which should never have been submitted to the jury as these defendants believe under the facts and the law.”

Since Alaska does have a statute authorizing a new trial, the case decisions on this point should also be considered. In 88 A.L.R. 943, the constitutionality of statutes relating to excessiveness or inadequacy of

damages is discussed and at page 954, under the heading "Statute authorizing new trial where award is prompted by passion or prejudice", is a discussion that should apply to the Alaskan Statute allowing new trial for inadequacy damages. The annotation refers to two cases that holds as follows, at page 955:

"To warrant a new trial under a statute authorizing such trial where excessive damages appear to have been given under the influence of passion and prejudice, it must appear not only that the damages are excessive, but that they were given under the influence of passion and prejudice." *Denver and RGR Co. v. Heckmann* (1909), 45 Colo. 470, 101 Pac. 976.

"Under such a statute it has been held that the jury having determined such damages, the court cannot order a new trial because it deems them excessive, unless it can clearly be said that the verdict of the jury is so grossly excessive that it manifestly appears that it must have been given under the influence of passion or prejudice." *Carpenter v. Dickey* (1913), 26 N.D. 176, 143 Northwest 964.

Both of these cases cited in the annotation are directly in point, under any discussion of excessive damages, for the reason that the Alaskan Statute on excessive damages, is qualified "appearing to have been given under the influence of passion or prejudice . . ." Thus, if excessive damages were the determining factor, it appears that there would have to be at least some showing of passion or prejudice. The exact opposite appears to be the case here. The plaintiff, L. A. Martin, asked for Forty Thousand Dollars (\$40,000.00)

actual damages and Twenty-five Thousand Dollars (\$25,000.00) punitive damages in his complaint, or for a total of Sixty-Five Thousand Dollars (\$65,000.00). However, the jury awarded the plaintiff the total sum of Nine Thousand Dollars (\$9,000.00), *which is less than one-seventh of the amount asked*. It should also be noted that the jury verdict was brought in after a long deliberation (R 62). It should be further noted that the verdict in the case herein was less than the amount of the verdict in the case which was consolidated with this case for trial. In view of the foregoing and of the evidence of serious injuries inflicted upon the plaintiffs, there is little, or no possibility of passion and prejudice having affected the verdict.

Some confusion may result from the discussion of the Alaskan Statute on motion for new trial, since it is indicated in Barron & Holtzoff Federal Practice and Procedure, Volume 3, at page 223, that

“The grant or denial of a new trial is a matter of procedure governed by these rules and not by state law or practice.”

This statement is supported by case authority, but there may be some question as to whether or not this rule would be applicable in Alaska, for the reason that Alaska does not have the separate system of Courts, such as prevails in the States. There is only one Court in Alaska, namely, the District Court for the District of Alaska, although this one Court does operate in something of a dual capacity administering both Territorial and Federal Law. However, there has never been a distinction drawn between Territorial as dis-

tinguished from Federal jurisdiction. Undoubtedly, the matter should be decided by determining whether or not the Alaskan Statutes are inconsistent with the Federal Rules of Civil Procedure and, if the Alaskan Law is inconsistent, then the Federal Rules should prevail.

Another Alaskan Statute that should be considered with respect to the motion for new trial, is Section 55-7-135 ACLA (1949), which is quoted herewith:

“Statement of grounds: Affidavits. In all cases of motion for a new trial the grounds thereof shall be plainly specified, and no cause of new trial not so stated shall be considered or regarded by the court. When the motion is made for a cause mentioned in subdivisions one, two, three, or four of section 55-7-132, it shall be upon affidavits setting forth the facts upon which such motion is based, unless they appear of record in the cause.”

Under this particular statute, it appears that any grounds for new trial would have to be plainly set forth. Since none were set forth in this case, anywhere, there apparently are no grounds for new trial and therefore a remittitur could not be granted as an alternative to a new trial.

With respect to the question of grounds for a new trial, it should also be noted that the Court itself may order a new trial on its own initiative. The rule is clearly set forth in 3 Barron and Holtzoff, Federal Practice and Procedure, at page 223, Section 1302. The first paragraph is quoted:

“Under rule 59 (d) the court ‘of its own initiative may order a new trial for any reason for which



it might have granted a new trial on motion of a party, and in the order shall specify the grounds therefor'. The burden of showing prejudicial error rests on the party moving for a new trial."

This rule is supported by *Freid v. McGrath*, 133 Fed. 2d 350, wherein the Court stated at page 355:

"When the new trial is granted upon motion of a party, *the grounds appear in the motion*, as the reasons assigned by the movant in compliance with the requirements of Rule 59 (a). When the judge acts of his own initiative he must set out *the grounds in his order*. Otherwise, the purpose of the rule will not be accomplished; the record will not reveal the basis upon which the order is made or permit intelligent review by an appellate court . . . ." (Emphasis supplied.)

Another case holding that the District Court must specify the grounds for granting a new trial on a motion, is *Youdan v. Majestic Hotel Management Corporation*, 125 Fed. 2d 15, and for a case holding that the burden of showing prejudicial error rests on the parties moving in for a new trial, see *Moran v. Pittsburgh-Des Moines Steel Company*, 86 F.S. 255.

In the case herein, the grounds for the motion were not only missing, but the District Court also failed to set out the grounds in his order. The omissions are apparently due to the non-existence of any legal theory to use as grounds for the motion.

For an Alaskan case on the question of excessive verdict see *Linge's Administrator v. Alaska Treadwell Company*, 3 Alaska 9, and on this particular point the Court stated at page 13:

“If the verdict be excessive, the power to disturb it rests in the discretion of the Court. But this discretion does not supplant that of the jury. The Court must decide whether there is enough evidence to support the verdict, and if there is sufficient the discretion of the court ceases . . .”

It should also be noted that this case discusses the grounds of the motion for a new trial and indicates that the Court will not consider the motion for new trial unless the motion plainly specifies grounds for the motion.

The foregoing discussion on excessive damages has been presented to show that a remittitur could not be supported on such a theory, even though the question was never presented in the lower Court. An even better reason why a remittitur would not be in order is that the total verdict of \$9,000.00, awarded cross-appellant by the jury, was not excessive in any sense in view of the injuries sustained by cross-appellant.

The cross-appellant was so brutally beaten that he was in a semi-conscious condition for approximately five (5) days (R 166, 194). The doctor who treated cross-appellant testified with respect to the beating injuries, in part (R 193):

“It was my opinion that it was sufficient to cause brain damage which might manifest itself in headaches, dizzy spells and possible permanent changes.”

Although this doctor did not treat the patient further, there was evidence introduced on such brain damage. (See statement of case.)

## IV.

**THAT THE REMITTITUR IN THIS CASE WAS ORDERED AS AN ALTERNATIVE TO A NEW TRIAL IN THIS CASE AND IN THE CASE BEARING DOCKET NUMBER 8212, ENTITLED ROBERT L. MARTIN VERSUS S. BIRCH & SONS, ET AL., THEREBY PLACING THE BURDEN OF THE CONDITIONS OF TWO CASES UPON CROSS-APPELLANT.**

On December 30, 1955, the lower Court entered a minute order in this case denying motion for new trials; granting motion for remittitur, and denying motion for allowance of attorneys' fees and Court costs toward defendants Wise and McDonald (R 60). The Court cited the two cases which had been consolidated for trial, namely No. A-8212 and entitled Robert L. Martin, Plaintiff, vs. S. Birch & Sons, a corporation; C. F. Lytle, a corporation, and Green Construction Company, a corporation, partners doing business as Birch, Lytle & Green, Ross McDonald, Joe Sipes, J. P. Bell and R. E. Wise, Defendants, in case No. A-8237, which was entitled L. A. Martin, Plaintiff, vs. S. Birch & Sons, a corporation; D. F. Lytle, a corporation, and Green Construction Company, a corporation, partners doing business as Birch, Lytle & Green, Ross McDonald, Joe Sipes, J. P. Bell and R. E. Wise, Defendants.

Then the Court disposed of all of the motions which concerned both plaintiffs and all the defendants with the following order:

“It Is Ordered that motion for new trial, be, and it is hereby denied as to all defendants provided that in cause No. A-8237, L. A. Martin will make a remittitur on the verdict under compensatory damages in the sum of \$2,500. . . .”

Thus, it appears that the motion for a new trial in both cases was to be denied if the cross-appellant herein, alone, would consent to a remittitur. The cross-appellant did submit to the remittitur, in order to avoid a new trial, but the determination was arbitrary and not based on any given reason.

It might be argued that the damages sustained by cross-appellant were not sufficiently proved. However, the cross-appellant was seriously injured and it does not appear that lack of proof as to damages was the reason for this action. It should also be noted that the evidence for both cases was the same.

There appears to be little or no case authority concerning this particular point. It could well be that the rule holding that the denial of a new trial in one case could not be conditioned upon the filing of a remittitur in another is so elementary that the point has escaped discussion to date.

---

### CONCLUSION.

In conclusion the cross-appellant submits that the judgment herein should be modified with an order to the Court below to disallow the remittitur and to enter judgment in accordance with the jury verdict.

Dated, Anchorage, Alaska,  
January 2, 1957.

BELL, SANDERS & TALLMAN,  
By BAILEY E. BELL,  
JAMES K. TALLMAN,  
*Attorneys for Cross-Appellant.*

No. 15,107

United States Court of Appeals  
For the Ninth Circuit

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S. BIRCH & SONS, a corporation; C. F.  
LYTLE, a corporation; and GREEN  
CONSTRUCTION COMPANY, a corpora-  
tion, partners doing business as  
Birch, Lytle & Green,

*Appellants,*

VS.

ROBERT L. MARTIN,

*Appellee.*

BRIEF FOR APPELLEE.

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BELL, SANDERS & TALLMAN,

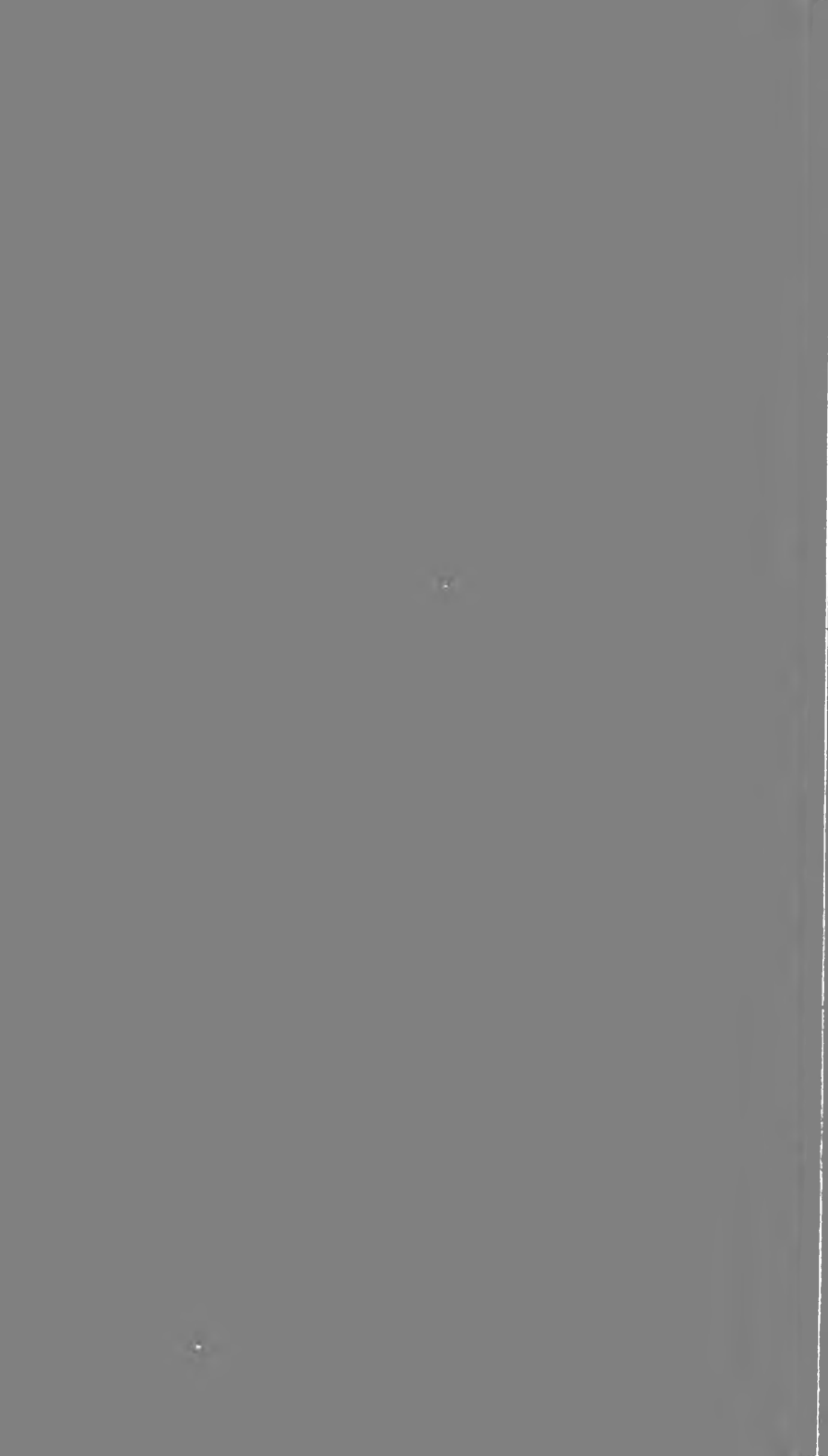
Box 1599, Anchorage, Alaska,

*Attorneys for Appellee.*

FILED

JAN 16 1957

PAUL P. O'BRIEN, CLERK



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# United States Court of Appeals

## For the Ninth Circuit

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S. BIRCH & SONS, a corporation; C. F.  
LYTLE, a corporation; and GREEN  
CONSTRUCTION COMPANY, a corpora-  
tion, partners doing business as  
Birch, Lytle & Green,

*Appellants,*

vs.

ROBERT L. MARTIN,

*Appellee.*

---

### BRIEF FOR APPELLEE.

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#### I.

#### JURISDICTION.

The appellees concur in the statement of pleadings and jurisdiction contained in the appellants' brief.

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#### II.

#### STATEMENT OF THE CASE.

In slightly more than ten pages of the appellants' statement of the case, they appear unable to set forth the facts of the case herein. Of necessity, the following facts are therefore offered.

On August 14, 1952, between 6:00 and 6:30 P.M. (R 168, 260, 391) while proceeding home for their supper, the appellees herein, L. A. Martin and Robert Martin, father and son, were attacked and brutally beaten by a drunken mob, consisting of men employed by the appellants in the black-top surfacing of the Anchorage-Seward Highway.

The attack occurred approximately six (6) miles south of Anchorage, where the appellants' construction company had established a plant for the preparation of black-top paving material. The appellants were completing the last strip of paving which consisted of approximately one thousand (1000') feet of highway at the plant, with the plant approximately in the middle of this one thousand-foot strip.

Traffic in the one thousand-foot (1000') strip was restricted to one-way traffic with control exercised by appellants through the use of flagmen at each end. The flagman at the north end of the strip ordered the appellees to the left side of the highway and they proceeded south to a point abreast the mixing plant. (R 202, 203.) Their car was blocked at this point by another car which was driven out of the plant area by one of appellants' employees.

The attack started when one of appellants' men, admittedly under the influence of alcohol (R 393-394), approached the driver's side of appellees' car, stuck his head through the door and refused to leave. (R 113, 141, 169.) The appellee, Robert Martin, was pulled, or fell, out of the car in attempting to get the fellow who had approached the car away from the

door. (R 142.) Just as this happened, the mob broke and poured across the road from the plant (R 143), and the younger Martin went down under a gang of four or five attackers. (R 143.) From the testimony, it appears that there were from eight to ten of the defendants' employees who joined in the attack against the appellees. (R 148.)

The mob first attacked the younger of the two Martins and the elder Martin, who had already observed that the gang was drunk (R 141), became alarmed, thinking that they were going to kill his son. (R 144.) The elder Martin headed for the car trunk to get a lug wrench to use as a weapon, but before he was able to do so the gang fell upon him. In this attack upon the elder Martin, a blow on the back of the head with a rock and a kick in his face rendered him unconscious (R 116), and he was left lying on the ground with his dentures broken to bits and with blood streaming from his mouth. (R 327.)

The younger Martin, Robert, was brutally and violently beaten by the drunken mob, but when he finally got up and saw his father lying unconscious on the ground, he jumped astraddle of his father and pulled his father's head upward to protect the head of the unconscious man from the kicks of two of the gang that were still kicking the elder Martin. (R 171, 174.)

The attack finally subsided and the younger Martin succeeded in getting his unconscious father into the car. Sometime thereafter the elder Martin regained consciousness. Shortly after getting his father into the car, the younger Martin was ordered to pull off of

the road on to the plant area and he was prevented from driving off by the gang that surrounded the car. (R 208.) The appellees were forced to remain in the area for approximately thirty (30) minutes. (R 222.) They were finally allowed to leave after the arrival of the Territorial Police. (R 239.)

The injuries received by the appellees at the hands of the drunken mob were described by the doctor who examined them. With reference to the younger Martin, the doctor stated (R 184) "both of his eyes had been blackened and were swollen almost shut. There was a laceration or cut above the left eye and there—both his eyes had hemorrhages into the concentric . . .".

The doctor also said that Robert Martin had certain upper teeth kicked out and certain lower ones loosened in their sockets and the doctor explained other injuries to this particular individual as follows (R 184):

"His zygomatic process was contused and probably fractured on the right side and also some abrasions on his chest and back, and also his teeth were knocked out. Also, in addition to this, because of the outward appearance of having received a terrific beating, that the man received a cerebral contusion of undetermined severity."

It should also be noted that although the appellants have attempted to infer that the appellee Robert Martin had lost only two teeth and had others loosened, that this 28-year-old appellee lost his entire upper set of teeth as a result of the beating at the hands of the appellants' employees. (R 241.)

The elder Martin had both his upper and lower dentures broken with his lips and the inside of his mouth cut from the broken teeth. He had a big knot and cut on the back of his head and his face was bruised and sore. (R 124, 192.) In reference to the elder Martin, the doctor who had examined him after the beating, stated:

“ . . . It was my impression at the time that this case was that of a severe cerebral concussion, which was manifested by the evidence of contusions in the occipital regions and physical complaints of dizziness and headaches by the patient; secondly, there were some contusions of the lower jaw on the right side; third, there were some lacerations of the upper and lower lips and, fourth, there were some lacerations inside the mouth caused by the shattering of the artificial dentures at this time—rather at that time . . .” (R 193.)

This same doctor also indicated that the injury was sufficient to cause brain damage which might manifest itself in headaches, dizzy spells, and possible permanent changes. (R 193.) Evidence of such damage was introduced during the trial. (R 128, 129, 268.)

It should be borne in mind that all of the violence of this attack took place at or near the Martin car with the mob coming from the mixing plant up to the appellees. The appellants had alleged that the appellees had been the aggressive parties herein. (R 16.) There was, of course, very little evidence that would point to aggressiveness on the part of the appellees,

and in view of the number of appellants' men at the plant, aggressiveness on the part of appellees seems unlikely. The general superintendent testified that there were twenty-five or thirty men in the area. (R 351.) Apparently the jury did not find appellees the aggressors since an instruction on this point was given. (No. 15.)

At the time of the attack upon the appellees, an alcoholic party was in full swing at the plant. The arrangements for the alcohol were made by the general superintendent of defendants, Ross McDonald (R 318), although the paving superintendent of the defendants, Raymond E. Wise, picked up the beer and whiskey at the tavern and delivered it to the plant. (R 86.) There appeared to be some question as to the amount of alcohol furnished although Mr. Wise did admit that he had furnished four cases of beer and three quarts of whiskey. This same witness did, however, explain that the quarts of whiskey were "Fifths." (R 86.) There is also evidence that there was other alcohol in the area although the exact amount cannot be determined clearly. In any event, there was at least one more bottle of whiskey furnished by one of the defendants, Duane J. Weber. (R 382.)

The testimony would indicate that the alcoholic drinks were consumed rather rapidly since Mr. Wise had arrived back at the plant area from his second trip to get beer and whiskey, and he stated that he had made the first trip about 6:00 o'clock. (R 98, 99.)

The appellants stated at page 11 of their brief that there were approximately seven men on the payroll



including the defendants R. E. Wise and Ross McDonald. This statement is contrary to the evidence.

There were fifty-one (51) timecards introduced into evidence and marked defendants' exhibit "B", which cards indicated the checkout time of each employee on the day of the attack. (R 322.) There were also four other timecards which had been introduced earlier as defendants exhibit "A" (R 323), and read to the jury. (R 251.) These cards were undoubtedly highly probative in determining the question of when the employer-employee relationship ceased. However, the appellants' have neglected to include either exhibit, consisting of the timecards, in the record which evidence showed that most, if not all, of the mob which attacked the appellees were on the appellants' payroll at the time of the attack.

The record does indicate, indirectly, the number of employees employed by appellants at the time of the attack upon the appellees. At page 354 of the record, the questioning of the general superintendent inferred that there were twenty (20) employees still on the payroll up to 6:00 that evening. Although the testimony of the witness did not clear the matter up, the number, namely 20, was not denied. A few moments earlier, while that same witness was being cross-examined, he was asked whether or not there were at least eleven (11) men still on the payroll at 6:30 that evening. The witness avoided answering the question and, again referring to the timecards, stated:

"A. Well, I will have to go through them again."

Then, Mr. Hughes, the attorney for the appellants, in objecting to this line of questioning, stated in part:

“Your Honor, I think it is time consuming and the evidence speaks for itself. They can be counted by the jury at any time.” (R 353.)

Another incorrect statement of fact, occurs in the appellants’ brief at page eleven (11), wherein the appellants state:

“So far as can be gleaned from the record, only those employees who were actually off shift and certain Alaska Road Commission employees indulged in the privilege of having a drink.”

This is clearly incorrect from the testimony of the appellants’ witnesses. Mr. Vaughn Manor, appellants’ paving foreman, by his own testimony, was on the payroll until 8:00 o’clock that evening, which was long after the attack herein. (R 253.) Mr. Manor admitted drinking. (R 254.)

Ross McDonald, appellants’ general superintendent, who was definitely still on the payroll, stated at page 345 of the record:

“A. I don’t drink beer. I probably had maybe three or four drinks of whiskey.”

Although Mr. McDonald admitted to having three or four drinks of whiskey, the jury may have inferred that he had more for the reason that he was charged with using rather rough language toward the appellees at the time of the attack. (R 119.) Such language would hardly be in keeping with the usual character of a general superintendent on such a large project, if sober.

Following the attack, the younger Martin called for the Territorial Police and for an ambulance on the car's radio-telephone. (R 175, 208.) The ambulance apparently never did arrive, or, at least, the record does not show what happened to the ambulance. The Territorial Police did, however, eventually arrive and upon arrival of the police the appellees were released by the gang. (R 239, 172.)

After leaving the plant area, the appellees proceeded home and from their home they proceeded to the home of Mrs. Nancy Underwood, a friend of the family. Mrs. Underwood treated the injuries of appellees (R 165) and checked on the senior Mr. Martin for approximately five (5) days, during which time he was in a state of semi-consciousness. (R 166.)

Suit was subsequently filed and after five days of trial and the introduction of extensive testimony, the jury returned a verdict for Robert L. Martin in the total sum of \$10,000.00 consisting of \$7,500.00 as pemsatory damages and \$2,500.00 as punitive damages; and a total verdict of \$9,000.00 for L. A. Martin consisting of \$7,000.00 as actual or compensatory damages, and \$2,000.00 as punitive damages. (R 418-419.)

After various motions had been heard, the Court ordered a remittitur in the case of L. A. Martin in the sum of \$2,500.00.

Following the entering of judgments, the appellants appealed. A cross-appeal was then filed on the question of a remittitur in the L. A. Martin case.

## III.

## ARGUMENT.

## A. SUFFICIENCY OF THE EVIDENCE.

The appellants have argued the insufficiency of the evidence under Sections A and B of their argument. However, such an argument does not appear to be well taken in view of the fact that the appellants have omitted from the record some of the most probative evidence introduced in the trial. This evidence consisted of the defendant's exhibit "A", comprised of four timecards of the employees of the appellants, (R 251) and the defendant's exhibit "B" consisting of fifty-one (51) timecards of the appellants' employees. (R 322.)

Where material evidence is excluded from the record, the reviewing Court cannot consider questions involving the sufficiency of the evidence. This rule is clearly stated in *3 Barron and Holtzoff, Federal Practice and Procedure*, at page 406-407:

"Matters not appearing in the record will not be considered by the court of appeals, unless the occurrence thereof is conceded by the parties. Thus a question involving evidence not in the record cannot be reviewed on appeal . . ."

For cases supporting this statement see: *Petitions of Rudder*, 159 F. 2d 695, which held that material printed in the appendices of the appellants' brief which had not been incorporated into the record on appeal would not be considered by the Court of Appeals; *Pacific Overseas Airlines Corp. v. Civil Aeronautics Bd., et al.*, 161 F. 2d 633, which held that in-

formation in the form of an affidavit which had not been presented to the board and was therefore not in the record could not be considered by the reviewing Court; also see *Drybrough v. Ware*, 111 F. 2d 548, where the Court stated at page 550 in reference to Rule 75 (G):

“Under these rules, it devolves upon appellant to see that the record is brought to the court with such of the proceedings of the trial court as may be necessary for the proper presentation of the points on which he intends to rely. (Rule 75 (D)), and for lack of such record the court has the power to dismiss the appeal.”

This same Court cited *Hill v. Railroad Company*, 129 U.S. 170, in support of this part of its opinion.

Since appellants' failure to include the timecard exhibits has excluded evidence which would show the employer-employee relationship and thus be unfavorable to the appellants' theory, the case of *Coppinger et al. v. Republic Natural Gas Co.*, 171 Fed. 2d 4, is very much in point. The Court in this case stated at page five of the opinion:

“(1) Since the partnership has brought on the record only the evidence introduced in its behalf, we must accept as correct the statement of the trial court respecting the facts established by Republic's evidence. Indeed, there is respectable authority holding that a ruling on a motion for a directed verdict, or other like motion, is not reviewable unless the record contains all or substantially all the evidence on which the ruling is based.”

This same Court supported the last statement concerning the ruling on motion for directed verdict with the following authority:

“Board of Com’r of Lake County v. Sutliff, 8 Cir., 97 F. 270, 275; Taylor Craig Corp. v. Hage, 8 Cir., 69 F. 581.”

The above cited authorities have dealt with the scope of review in the Federal Courts and have been cited because the jurisdiction involved herein is subject to the Federal Rules of Civil Procedure. However, the Federal cases do not differ greatly from the general rule followed in all Courts which is set forth in 4 *C.J.S.* 1679, Sec. 1172 (C), and which is supported by cases too numerous to list:

“The sufficiency of evidence will not be reviewed on appeal where exhibits and documents in evidence are omitted from the record except where such evidence appears to be immaterial.”

The omitted timecards here can hardly be said to be immaterial in view of the importance that appellants are placing on the employer-employee relationship and of their allegation that the relationship did not exist at the time of the acts complained of in appellees’ complaint. (Appellants’ Brief 32, 36, 46.)

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#### **B. EMPLOYER-EMPLOYEE RELATIONSHIP.**

##### **(1) Errors in Appellants’ Brief on Employer-Employee Relationship.**

Throughout appellants’ brief an attempt has been made to show that no employer-employee relationship

existed between the appellants and their employees at the time of the attack upon the appellees. In at least two (2) places they have categorically stated that the employer-employee relationship did not exist. (Brief 32, 36, 46.) The record will not support this position.

The appellants' conclusion as to the employer-employee status is premised on at least two faulty assumptions. The first assumption is that the attack upon the appellees occurred at or near 7:00 o'clock P. M. (Appellants' Brief 24.) From the testimony that was introduced to the jury, it could readily have been found that the attack occurred some time between 6:00 and 6:30 P. M. Robert L. Martin testified when asked concerning the time that he arrived at the place where the defendants were hardtopping the road as follows:

"A. Well, as near as I could place it, I have been able to place it in my own mind, it would be between 6:00 and 6:30; that's as near as I can pin it down." (R 168.)

Then one of the appellants' own witnesses testified as follows:

"Q. Will you please state what you saw, commencing with—maybe I better lay one more foundation question. What time of day was it, sir, that you witnessed this incident?

A. Well, it was approximately around 6:00, 6:30, somewhere along in there.

Q. You state that you got off of work at 7:30 by your timecard. Now, how long prior to your getting off work would you say this incident occurred?

A. Oh, in the neighborhood of—must have been an hour, something like that.” (R 260.)

Other evidence as to the time of the attack herein could be deduced from the testimony of one of the named defendants, namely Duane J. Weber, who, incidently, was one of the defendants against whom a verdict was returned under the name of Bud Weber. (R 418, 419.)

In reference to the evening of the attack upon the appellees, at page 385 of the record, this particular defendant testified that “I do know that I did get home at 7:15.” This statement was supported by the witness’ testimony later. (R 391.) Then at page 402 of the record, the same witness testified that it took him probably twenty-five (25) minutes to get home. Thus it can be seen that the attack was definitely over at sometime before 7:00 o’clock. This particular evidence, of course, does not show how much earlier than 7:00 o’clock the attack occurred, since there is little evidence in the record to show how long Weber waited around the plant after the attack upon the appellees, but it does appear that a large crowd did surround the appellees’ car (R 176, 210), and they were held virtually captives in the area by this large group of men for approximately thirty (30) minutes. (R. 222.)

The second fallacy in the appellants’ faulty assumption is that there was no one on the payroll at the time of the attack. As shown by the discussion concerning the timecards, there were twenty (20) men



still working for appellants at 6:00 o'clock (R 354), and at least eleven (11) still working at 6:30. (R 353.) Since the testimony indicated that there were eight (8) to ten (10) men in the attack against the appellees (R 148), four or five of whom were on the appellee R. L. Martin at one time (R 143), the jury could easily have found that everyone of the men who attacked the appellees were on the payroll of appellants at the time of the attack.

There is also authority for the proposition that the employer-employee relationship does not cease at the very moment that an employee checks out. In 35 *Am. Jur.*, 599, Sec. 169, Master and Servant, it is stated:

“The authorities have uniformly held that the relation of employer and employee is not interrupted by the end of actual working hours, but continues so long as the employee is on the employer's premises, engaged in the actual or incidental duties of his employment, or subject to the employer's control. Nor is any distinction to be drawn on the score that the victim was paid at a specified rate per hour.

This statement is well supported with case citations, one of which is herewith cited, as follows: *Willmarth v. Cardoza*, 176 F. 1. A collection of cases in support of this proposition are in the opinion of the last cited case, at page 2.

## **(2) Appellants Are Liable Under Agency-Tort Doctrines.**

Although the jury may have found the appellants liable on the theory of having created a dangerous

condition in a public place and then violated a duty toward appellees who were lawfully in the area, there appears to be little doubt but that the appellants are liable under the agency-tort doctrines of the majority of cases.

In 12 NACCA Law Journal at pages 31 to 46, Professor Ben F. Small of Indiana University School of law has compiled an exhaustive collection of cases imposing liability upon the employer for intentional torts by the employees. Professor Small's article is on the Effect of Workmen's Compensation on Tort Concepts and Professor Small indicates that the trend is toward a workmen's compensation-like treatment of the agency-tort cases. Professor Small discusses cases involving several categories of the scope of employment problem, although all involve altercations between employees and outsiders. Since the case at bar involves an attack by paving workers upon third parties, the appellants argued that this is a case of the tort-feasors acting outside of the scope of their employment. This argument is invalid for the reason that the very nature of the work caused ill feeling toward the public.

Professor Small discusses this type of case under subheadings "Unusual or Remote Employment Provocations" and "Provocations Largely Personal or Extraneous". This case should probably fall under the first heading since construction workers normally wouldn't be expected to attack outsiders. However, an examination of the facts will show that the attack did occur at the place of employment and at least was in-

directly influenced by the ill feeling of the paving workers toward the public generally. (R 119.) In this regard, it should be noted that the paving workers worked in an area, under the control of their employer, where they do come in contact with the public and must, of course, put up with the traffic on the highway while paving is being laid. The direct control over the public is usually exercised by the use of flagmen at each end of the controlled areas, and such control was exercised in this case. (R 137.) Under such a set of facts, it thus appears that the employer-employee relationship in the case at bar did have more effect on the tort causation than merely the furnishing of an opportunity for violence.

In the case at bar, the personal motivation of the gang that attacked the appellees consisting of the ill feeling toward the public generally was normally repressed and the feeling apparently was acquired over a period of years. Then, when the gang became drunk the repressions were forgotten and the brutal attack upon the appellees occurred. The misconduct, therefore, was directly within the scope of the employment herein, and this conclusion can be reached even disregarding the fact that the drunken condition of the mob was created by appellants.

The situation is somewhat analogous to that of *Novick v. Gouldsberry*, 173 F. 2d 496, wherein this Court held that a bartender was acting within the scope of his employment when he committed an assault upon a patron. This Court stated at page 501 of the opinion:

“An employment of this character is—in the language of the Restatement—‘one which is likely to bring the servant into conflict with others. . . .’ ”

It is true that in the *Novick* case the Court was referring to employment as a bartender in a bar, but the rule could be well applied to employment such as paving a public highway where the paving workers are harassed during all stages of the paving by the movement of vehicles back and forth in the area in which they are working. The record in the case at bar shows that the area of the highway being paved was under the control of the appellants through the use of flagmen who controlled the traffic and allowed one-way flow of traffic. The movement of this traffic could not help but conflict with the operations of the paving workers and at times strain their tempers. The employment is certainly “one which is likely to bring the servant into conflict with others”.

The attitude toward the public was clearly in evidence at the time of the attack on the appellees with the feeling of the gang clearly shown by the testimony of L. A. Martin as to what was said to the appellees after the attack (R 119):

“A. They were all around the car and just who said that, I don’t know; and then some fellow spoke up and said, ‘you S.B.’s have given us trouble for the last four or five years; now, you’re going to take it off of us.’ I asked someone—I glanced up and asked someone who it was and he said, ‘That’s McDonald, the superintendent, if

you want to know', and that's about the only words I can recall hearing and he was just in front of the right fender of the car."

This witness also indicated that the term "S.B." actually represented the word that was used by the general superintendent. (R 119, 120.)

Even in the cases where the intentional aggression of the employee is largely personal, Professor Small has indicated that the trend is toward holding the employer liable. He states in the article cited (12 NACCA Law Journal 39-40):

"In the evolution of tort doctrine in all these cases, the proposition has been consistently advanced that one who acts for personal reasons acts outside his employment. As has already been noted, this served for years as the cover under which courts could deny recovery against the master in most cases of assault by a servant. Then with the liberalizing trends of the past two decades, courts began to reexamine their previous stands on matters considered personal. They began to weigh the personal aspects against the employment aspects and if the employment seemed to have occasioned the outbreak initially, then the 'lesser' personal motivations were disregarded. This trend has been observed not only in the cases of primary employment provocation, but even in those of unusual or remote employment provocation. It should be noted again that in both those cases, the 'yes' cases outnumber the 'no' cases. It now seems safe to assert that in both those fields, the cover of 'personal' motivation has been largely lost."

The trend indicated by Professor Small is evidenced in the six cases that he has discussed, which are set out below:

The first case for consideration in this respect is *Munick v. City of Durham*, 106 S.E. 665. In this case the lower Court nonsuited the plaintiff on the ground that an assault by the superintendent of the local waterworks against the plaintiff was not within the scope of the superintendent's employment. Even though the attack was motivated solely by anti-Jewish feelings of the superintendent toward the plaintiff, the Appellate Court reversed the lower Court. The language of the Court, at page 668 of the opinion, appears to be some of the strongest yet encountered with respect to the matter of holding the employer liable:

"This court has often held the master liable, even if the agent was willful, provided it was committed in the course of his employment. *Jackson v. Tel. Co.*, 139 N. C. 347, 51 S.E. 1015, 70 L. R. A. 738.

(4) Indeed, the doctrine goes further, and the principal is liable if one coming on the premises in connection with business dealings, or by invitation, is assaulted by one of its agents. This is settled by the leading case of *Daniel v. Railroad*, 117 N. C. 592, 23 S. E. 327, 4 L.R.A. (N.S.) 485, and the numerous citations to the case in the Annotated Edition. . . ."

The second case discussed is *Lehnen v. E. J. Hines & Co.*, 127 Pac. 612. This case involved the ejection from a hotel room and jailing of the plaintiff by a hotel clerk, who was under the influence of alcohol.

The action by the clerk was unjustified and apparently unauthorized. However, the Appellate Court stated with respect to this action, at page 615 of the opinion:

“When he entered the room and undertook to eject appellee, he was acting for the proprietors and within the apparent scope of his authority. To make the appellants responsible for Atwood’s actions, it is not necessary that they should have expressly authorized him to do the particular acts of which complaint is made. It is enough that they intrusted him with authority to manage the business in which he was engaged when the wrong was committed. They cannot be excused from liability because Atwood, while conducting the business, abused his authority, or even disobeyed the express directions which they had given him. . . .”

The third case in this group is *Stansell v. Safeway Stores*, 113 P. 2d 264. A brief resumé of the case and analysis is capably set forth by Professor Small in 12 NACCA Law Journal 43, as follows:

“Another example is found in the behavior of a Safeway Stores’ manager in California. He refused to sell groceries to a fourteen-year-old girl when he couldn’t find the family’s county relief order. There was some discussion and the manager artlessly informed the girl that her mother was ‘a lying damned bitch.’ The fourteen-year-old miss took the information in stride and replied with the deduction: ‘If my mother is a damned bitch you are a bastard.’ Then, terrified with her own logic, she ran, the manager in hot pursuit.

He caught her some sixty or seventy feet away and got his revenge by variously knocking her down and kicking her. The court did admit that there was an element of personal animosity involved, but said that it was entirely incidental to the obvious purpose of the manager to protect the interests of the store, to complete the transaction and to get rid of the girl.”

The other three cases in this group consist of *Gomez v. Great Atl. & Pac. Tea Co.*, 172 S.E. 750, wherein a grocery store manager assaulted a boy who had refused to carry a sack of flour to an automobile outside. The Appellate Court reversed the lower Court which had sustained a demurrer and the Appellate Court held that there was sufficient evidence of scope of employment to warrant sending the case to a jury; the fifth case is *Novick v. Gouldsberry*, 173 F. 2d 496, discussed supra; then the sixth case is *Cressy v. Republic Creosoting Co.*, 122 N.W. 484, which involved personal animosity between an employee of the defendant and the plaintiff who was a city inspector. The two men were thrown together due to the type of work in which they were involved, but it seems that the assault was strictly occasioned by the personal feelings of the individuals. This case, which, incidently, is a fairly old case (1909), appears to stand for the proposition that merely furnishing the opportunity for violence puts the employee's assault within the scope of the employment.

In all of these previously cited cases, the assaults were largely motivated by personal feelings of the



employee who had assaulted the plaintiff. Nevertheless, the Courts in all these cases held the assault to have been committed within the scope of employment. The facts in the case at bar should be much more compelling toward such a finding than the facts in any of the six cited cases.

There are many cases involving the attacks of employees upon outsiders, with such attacks not readily foreseeable. However, the Courts have found the acts to be within the scope of the employment involved and have allowed recovery. It would serve little purpose to list all the cases here, but see 12 NACCA Law Journal, 35-39.

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### C. EXISTENCE OF A RIOT.

The appellants have stated that there was insufficient evidence to establish a riot. However, the substance of their contention appears to be that there weren't enough attackers, namely three, to fall within the definition of our riot statute. This contention is contrary to the evidence.

The testimony showed that there were from eight to ten men who attacked the appellees (R 114, 148) and that there were at least fifteen men who surrounded the car and held the appellees captives. (R 210.) There is also testimony that there were four or five of the attackers on the younger Martin at one time. (R 143, 146.) In fact, the record does not indicate that there were ever less than three attackers

involved in the attack upon the appellees at any time, although the names of all of the individuals were not known to the appellees.

The appellants indicate, at page 39 of their brief, that Bud Weber was the only individual person charged with responsibility in the Robert Martin case. They infer from this that there weren't three or more involved, but the testimony indicates that their inference is false and that there were actually eight or ten men involved. The names, of course, were not all known to the appellees, but it was admitted by the paving superintendent of the appellants, that all of the men in the area with the exception of the two Martins were employees of the contractor, the appellants herein. (R 93-94.)

The appellants refer to the law with respect to the criminal aspects of riot. This case, of course, is not concerned with the criminal law and, it is submitted, that there are certain protections afforded under criminal law that do not apply in civil cases. Regardless of the last stated proposition, the fact remains that there were more than three people involved in the attack upon the appellees, as indicated above.

It should also be borne in mind that there were actually three of the defendants' men who were individually named defendants who had taken part in the attack against the appellees. These were Joe Sipes, J. P. Bell, and Bud Weber. Joe Sipes was not held liable by the jury, even though evidence would show that he was involved in the attack, for the reason that service had not been made upon him (R 43, No. 15108),

but a verdict was returned against the other two. (R 419.) Thus, there is no question but that there were three or more men involved in the attack upon the appellees. The actual number, of course, was eight or ten as indicated above.

It should also be noted that Instruction No. 16 would only tend to hold individuals liable and could not possibly be construed to hold the appellants herein. Since the individuals, namely Bud Weber and J. P. Bell, did not see fit to appeal from the judgments against them, it seems extremely difficult for the appellants to argue this as an error.

The only objection to the giving of Instruction No. 16 was as follows:

“Mr. Hughes. We except to Instruction No. 16 on two grounds, that there is insufficient evidence to give an instruction on riot under the facts and the instruction fails to indicate that the mere presence of a person does not constitute involvement.” (R 415.)

Then, because of this objection, the Court added a clause to Instruction No. 16 concerning the presence of a person. (R 415.) This, then, left the only objection to Instruction No. 16 being as to the sufficiency of the evidence to give an instruction on riot. As pointed out above, there was sufficient evidence.

It should also be noted that the appellants had requested an instruction on riot, which was headed “Requested Instruction No. 8.” (R 25-26, No. 15107.) The first paragraph of the requested instruction properly

stated the law, but the second paragraph was in direct conflict with the evidence submitted. This instruction was properly refused except as covered by instructions given.

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**D. APPELLANTS ARE LIABLE TO APPELLEES FOR THE  
CREATION OF A DANGEROUS CONDITION.**

The appellants have contended that the giving of Instruction No. 14 was erroneous for the reason that it added another theory of recovery for the appellees and that it was not supported by the proof. It is true that this would cover another theory, other than that of the intentional tort by appellants' employees. However, contrary to the appellants' statement, the proof does support this theory.

The place where the assault occurred was on a public highway which was in the process of being paved by the appellants. The appellants have never denied having custody and control of the area where the appellees were attacked, and the following testimony was given by the general superintendent of the appellants with respect to the control of the area (R 366):

“Q. You had a written contract on that work, didn't you?

A. Oh, yes.

Q. Now, didn't that written contract give you the right to control traffic and require you to use 2 flagmen on the controlled portions?

A. And the pilot car if necessary, that is right.

Q. That was in the contract, was it not?

A. That is right. It was left to our discretion as to whether we should use the pilot.

Q. But you did have to use flagmen and you did have the right to take over that portion of the road and control it during that time?

A. And maintain it."

The appellants' inference that they did not owe a duty toward the members of the public who might lawfully be in the restricted area of the roadway is incredible and such a proposition would require a complete revision of our tort concepts. They were not, of course, insurers which was the only objection taken to this instruction. (R 414-415.) If the appellants had used care to protect those persons lawfully coming upon the premises, then there would be no liability based upon this particular theory. Whether or not the appellants used care to prevent injury to the appellees is a question for the jury and the appellees contend that the record is replete with evidence showing the violation of the duty toward the appellees and the public generally.

The first point to consider is the furnishing of the alcoholic drinks to appellants' men, which resulted in the drunken condition of the employees at the time of the attack upon the appellees. The amount of alcoholic drinks furnished should also be observed, namely four cases of beer and three fifths of whiskey. This was the testimony of the paving superintendent of the appellants who transported the alcoholic drinks from the tavern to the plant. (R 86.)

It is conceded by the appellees that the furnishing of alcoholic drinks for employees would not be breaching a duty toward the public under some circumstances

such as in a private place where the intoxicated condition of the employee would not endanger either himself or the public. However, the propriety of getting employees drunk, in a public place where they are likely to come in contact with other members of the public, appears questionable, to say the least.

The next point to consider is that in the case at bar there might even be graver doubts raised as to the propriety of getting appellants' employees drunk for the reason that these particular men were construction workers, who might be inclined toward being more unrepressed than other individuals, when drunk.

In this last respect, it should be noted that the appellants are a large construction firm and should have been thoroughly familiar with the general characteristics of construction workers. When appellants got their paving gang drunk through the furnishing of alcoholic drinks by the general superintendent and the paving superintendent, they created a condition in the area of the plant and the nearby highway which was a danger to the public, and appellants knew, or should have known, that a gang of drunken men is a dangerous condition.

Another point to consider is that the appellants not only allowed the drunken condition of their men, but actually created the condition by affirmative acts of appellants' superintendents in buying and furnishing the alcohol. Under such a set of facts, it would not even be necessary to find an employer-employee relationship existing at the time of the attack. The appellants should be liable if they had proceeded to get a

gang of strangers drunk on the public area under their control, if such a gang could reasonably be expected to injure any of the public lawfully in the area.

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#### E. PUNITIVE DAMAGES.

The appellants have discussed the question of excessive damages, including the subject of punitive damages. However, since the cross-appeal has covered the subject of excessive damages, this section covers the question of punitive damages only.

A definition of punitive damages is aptly stated in 15 *Am. Jur.* pages 698-699, Sec. 265:

“Exemplary or punitive damages are generally defined or described as damages which are given in enhancement merely of the ordinary damages on account of the wanton, reckless, malicious, or oppressive character of the acts complained of. Such damages go beyond the actual damages suffered in the case; they are allowed as a punishment of the defendant and as a deterrent to others. The terms ‘exemplary,’ ‘punitive,’ and ‘vindictive’ damages are used interchangeably. Such damages are also sometimes called ‘smart money,’ and they have been otherwise variously designated as ‘speculative,’ ‘imaginary,’ ‘presumptive,’ or ‘added’ damages.”

Actual damages are necessary before punitive damages can be awarded, although the amount may not be large, as indicated in 15 *Am. Jur.* 707:

“The amount of actual damages necessary as a predicate to an award of exemplary damages may

be small. While punitive damages must bear some relation to the injury inflicted and the cause thereof, they need not bear any relation to the damages allowed by way of compensation.”

For support of this last proposition, see: *International Harvester Company v. Iowa Hardware Company*, 122 N.W. 951, 33 A.L.R. 398, 81 A.L.R. 916; *Louisville and N. R. Company v. Ritchel*, 147 S.W. 411.

Actual malice, in the lay sense, is not necessary for an award of punitive damages. For a definition of word “malice” see *Gilham v. Devereaux*, 214 Pac. 606, at page 607, as follows:

“This court in *Moelleur v. Moelleur*, 55 Montana 30, 173 Pac. 419, held that the term ‘malice’ as employed in the above section did not necessarily mean that which must proceed from a spiteful or revengeful disposition, but a conduct injurious to another, and that malice in law would be implied from unjustifiable conduct which caused the injury complained of . . .”

For other cases holding that a wrongful act done intentionally or without just cause or excuse constitutes malice see: *Hicks Brothers v. Swift Creek Mill Company*, 31 S. 947; *Childers v. San Jose Mercury Printing and Publishing Company*, 38 Pac. 903; *Anderson v. International Harvester Company*, 116 N.W. 101; *Lampert v. Judge and D Drug Company*, 141 S.W. 1095.

For another good statement of the meaning of malice see *Willis v. Miller*, 29 Fed. 238, as indicated



in the following headnote, which was almost verbatim one of the instructions given to the jury in the cited case:

“Malice in law is not necessarily personal hate or ill will of the trespasser towards the person injured, but it is that state of mind which is reckless of law and of the legal rights of the citizen; and the object of exemplary damages or ‘smart money’ is not only to indemnify the sufferer for any loss sustained, but to prevent similar actions on the part of the trespasser in the future.”

For another definition of the purpose of punitive damages see *Malone v. Montgomery Ward, Inc.*, 38 Fed. Supp. 369 which held:

“‘Punitive damages’ are assessed by way of punishment against the defendant for unlawful, malicious, wanton and reckless acts, and such damages are allowed by reason of undertaking to correct defendant’s conduct in future and to prevent such conduct from recurring in future.”

Another definition is found in *Kerigan v. Massachusetts Bonding and Insurance Company*, 74 Fed. Supp. 820 as follows:

“The purpose of punitive damages is to inflict punishment as an example and a deterrent to similar conduct.”

A recent case (1954) concerning punitive damages is *Sandifer Oil Company v. Dew*, 71 S. (2d) 752. In this case the defendants’ employee was pumping gasoline out of a tank truck into a service station underground tank. The employee negligently left the truck

pumping the gasoline and the underground tank overflowed. The deceased, a fourteen-year-old girl, was passing by and the gasoline which had overflowed exploded, fatally burning her. The jury awarded the girl's family \$85,000.00 which sum was in addition to an award of \$5,000.00 on a nonsuit from the owner of the service station. The Supreme Court of Mississippi affirmed the judgment and held, as stated in 14 NACCA Law Journal pages 310-311:

“(1) Plaintiffs were entitled to recover for the pain and suffering endured by deceased, for the loss of the society and companionship of deceased, *and for punitive damages*, (emphasis supplied).

(2) As the jury are the sole judges of the amount which ought properly to be assessed in order to inflict adequate punishment, the Courts should scrupulously avoid any undue interference with their prerogative. This is the rule everywhere, and is accepted as a sound principle by the most noted text writers.

(3) Throughout the length and breath of this state similar transport trucks are daily traveling our highways and making deliveries of gasoline. Those who handle such dangerous agencies should be made to know the standard of care which is required of them.”

Another case involving punitive damages is *Morrow v. Evans*, 75 S.E. (2d) 598 (1953). In this case the defendant's truck driver drove over a narrow bridge at 45 to 50 miles per hour. The truck crashed into the side of decedent's car, which was on the bridge and

the decedent died a few hours later. The decedent had no family other than his parents who were not dependent upon him and an administrator's suit was brought. The jury returned a verdict of only \$5,000.00 for actual damages, but awarded \$15,000.00 for punitive damages. The Supreme Court of South Carolina affirmed the judgment holding that the evidence of the driver's negligence, recklessness, and willfulness justified the submission of the question of punitive damages to the jury. The Court stated at page 601 in the opinion:

"It may be conceded that in the view of this Court it is excessive in the sense that it is unduly liberal but that is an insufficient ground for reversal on appeal."

In the case at bar, the jury did find substantial general damages against the appellants and, in view of the above, such a finding was sufficient to support the punitive damages that were rendered in this case. Since the appellants were clearly responsible for the creation of the drunken condition of the paving gang, the jury undoubtedly felt that punitive damages should be given as a deterrent to this type of action. Even the Court apparently felt that the punitive damages should be allowed to stand since the remittitur which was ordered in one of the cases was not on the punitive, but on the compensatory award.

The appellants cite authority for the proposition that the principal is not liable in punitive damages for the unknown acts of his agents. Such a proposition is not only incorrect in the first place, but would not

be applicable to the case at bar, if correct. Almost all of the above cited cases involved torts by employees and the employer would certainly have no knowledge of such torts until after commission. And certainly, where the tort is a plain and simple question of negligence, the employer would not ratify such action. However, the Courts do see fit to hold the principal because of the deterring effects of the imposition of such liability.

In the case at bar, the torts were known to the general superintendent, the paving superintendent, and the paving foreman at the time such torts were committed, and the appellants' officials did nothing whatsoever to prevent such action. The officials apparently tacitly approved of the attack upon the appellees. We can even go further here and find the dereliction of the duty directly resting upon the appellants for the reason that the appellants created the drunken condition of the men which constituted the hazard resulting in the injuries to the appellees.

The jury must have found that the defendants' corporation authorized, participated in or ratified the acts of the attackers since the jury was clearly instructed on this point in Instruction No. 10. The Instruction is quoted in full herewith (R 31):

“Each of the plaintiffs demands punitive damages against the defendant corporations as well as against the other defendants. To justify a verdict for punitive damages against the defendant corporations it must be shown by a preponderance of the evidence that the defendant corporations authorized, participated in or ratified the

acts of the employee committing the injury and that the acts of the employee must have been within the range of the apprehensibility of the employer.”

In view of the appellants’ gross neglect of duty to keep the area safe for the public, and of their tacit approval, through superintendents, of the attack upon appellees, and of their vicious and brutal attack, through employees, the only reasonable conclusion to reach on punitive damages herein is that the award was too small.

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**F. INTEREST ON THE JUDGMENTS WAS PROPERLY SET BY THE COURT.**

The appellants have urged as error the question concerning the setting of the date on which interest was to run on the judgments. The interest in dispute covers a period of slightly less than three (3) months.

In 3 *Barron and Holtzoff Federal Practice and Procedure*, at page 221, it is stated:

“Interest on a judgment will be allowed from the date of entry and in an exceptional case has been allowed from the date when entry should have been made if there was excusable delay.”

Apparently the lower Court in the case at bar felt that there was excusable delay and hence ruled that the interest should run from a period of time ten (10) days after the return of the verdicts by the jury. The Court may have felt that the appellants were un-

reasonably delaying the entering of judgment, since in one of the cases nothing came of the various motions which were presented by the appellants. This was in the case of Robert L. Martin, which bears docket number in this Court No. 15,107.

In the other case, that of L. A. Martin bearing docket number No. 15,108, a remittitur in the sum of \$2,500.00 was allowed. However, the delay herein was in no way caused by the appellees, and there is authority for the proposition that the plaintiff is entitled to interest on the judgment from the date of the verdict. In this regard see *Louisiana & Arkansas Ry. Co. v. Pratt*, 142 Fed. 2d 847, where it is stated in the opinion at page 849:

“It has been held to be within the equity of Section 966 of the Revised Statutes to award interest from the date of the verdict where, without fault of the plaintiff, an appreciable time has elapsed between the rendition of the verdict and the entry of the judgment. Moreover, Rule 58 of the Federal Rules of Civil Procedure, 28 U.S.C.A. following section 723c, provides that, unless the court otherwise directs, judgment upon the verdict of a jury shall be entered forthwith by the clerk. Under said rule, the date of the verdict and the date when the judgment should have been entered are the same in this case. For these reasons, we conclude that plaintiff below was entitled to interest from the date judgment should have been entered as required by said Rule 58.  
...”

In support of the foregoing statement, the Court cited the following cases:

“National Bank of the Commonwealth v. Mechanics National Bank, 94 U.S. 437, 24 L.Ed. 176; Fowler v. Redfield, Fed. Cas. No. 5003; Griffith v. Baltimore & O. R. Co., C.C., 44 F. 574; Id., 159 U.S. 603, 16 S.Ct. 105, 40 L.Ed. 274; Leitch v. Chesapeake & Ohio R. Co., 97 W. Va. 498, 125 S.E. 370.”

In any event, if the award of interest was erroneous, it was not such prejudicial error as to warrant a reversal.

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### CONCLUSION.

In conclusion the appellees submit that the appellants arguments on the insufficiency of the evidence have not been supported by the record, and even where evidence was introduced in support of the appellants' case that there was sufficient evidence to controvert it. The appellees further contend that it was the duty of the jury in these cases to resolve debatable questions of fact, and that in view of the instructions given and the verdicts of the jury, such questions of fact have been resolved.

The appellees further contend that all instructions given by the Court were supported by the evidence and that said instructions, taken as a whole, do not prejudice the appellants.

The judgment of the lower Court in number 15,107 should be affirmed, and the judgment of the lower Court in number 15,108 should be modified as re-

quested in cross-appellants' brief, and as modified, affirmed.

Dated, Anchorage, Alaska,  
December 29, 1956.

BELL, SANDERS & TALLMAN,  
By BAILEY E. BELL,  
JAMES K. TALLMAN,  
*Attorneys for Appellee.*  
*Robert L. Martin.*



Nos. 15,107 and 15,108

IN THE

United States Court of Appeals  
For the Ninth Circuit

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S. BIRCH & SONS, a corporation, C. F. LYTLE,  
a corporation, and GREEN CONSTRUCTION  
COMPANY, a corporation, partners doing  
business as Birch, Lytle & Green,

*Appellants,*

No. 15,107

VS.

ROBERT L. MARTIN,

*Appellee.*

S. BIRCH & SONS, a corporation, C. F. LYTLE,  
a corporation, and GREEN CONSTRUCTION  
COMPANY, a corporation, partners doing  
business as Birch, Lytle & Green,

*Appellants,*

No. 15,108

VS.

L. A. MARTIN,

*Appellee.*

REPLY BRIEF FOR APPELLANTS.

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Nos. 15,107 and 15,108

IN THE

**United States Court of Appeals  
For the Ninth Circuit**

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S. BIRCH & SONS, a corporation, C. F. LYTLE,  
a corporation, and GREEN CONSTRUCTION  
COMPANY, a corporation, partners doing  
business as Birch, Lytle & Green,

*Appellants,*

vs.

ROBERT L. MARTIN,

*Appellee.*

No. 15,107

S. BIRCH & SONS, a corporation, C. F. LYTLE,  
a corporation, and GREEN CONSTRUCTION  
COMPANY, a corporation, partners doing  
business as Birch, Lytle & Green,

*Appellants,*

vs.

L. A. MARTIN,

*Appellee.*

No. 15,108

**REPLY BRIEF FOR APPELLANTS.**

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**I.**

**APPELLANTS' REPLY TO CONTROVERTED FACTS.**

The appellees in their brief strenuously contend that the appellants, for more than ten pages, were unable to properly state the facts. The appellants do not

claim to be infallible in respect to the statement of the facts. It is noted by the appellees that the appellants, at page 11 of their brief, stated that so far as could be gleaned from the record, only those employees who were actually off shift and certain Alaska Road Commission employees indulged in the privilege of drinking, and in order to support their dispute of that statement, the appellees recite the testimony of Mr. Vaughn Manor. In this connection it will be remembered that Mr. Vaughn Manor did not arrive at the scene of the incident until about 7 o'clock P.M. (R. 252). Mr. Vaughn Manor was a paving foreman who checked out at 8 o'clock P. M. on the evening in question and who, on the day of the incident involved herein, and more particularly between the hours of 6 and 7:30 P.M. (the time of the incident, allowing for margin of error) had three roller operators working at different spots between Anchorage and Girdwood. Archie Vermilyea (R. 283) was operating the roller at the site of the incident, another roller (R. 253) was working on a patch near the Sad Shack and still another was working on a segment of the black top near Potter. Mr. Vaughn Manor, at R. 254, admits that he had a couple of cans of beer (obviously after his return to the scene at 7:00 P.M.) and accordingly a more proper statement of the facts should probably have been none of the former employees who were named defendants, and certainly none of the individuals who were ultimately held responsible by the verdict of the jury, where shown to have been consuming any beer or whiskey, until they were off duty. We would assume that since Mr. Vaughn Manor was

not present at the time the altercation took place, that the appellees would concede that the actions of Mr. Vaughn Manor should have no effect, direct or indirect, on the litigation herein involved.

The chief complaint of the appellees seems to stem from the propensity of the appellants in their recital of the facts to refrain from the use of such descriptive adjectives or phrases as "gang" (p. 3 appellees' brief), "attack" (pp. 2, 8 appellees' brief), "time of the attack" (p. 7 appellees' brief), "mob broke and poured" (p. 3 appellees' brief), "drunken mob" (pp. 2, 3 appellees' brief), "brutally beaten" (p. 2 appellees' brief), "alcoholic party" (p. 6 appellees' brief), "brutally and violently beaten" (p. 3 appellees' brief), and so forth.

Appellants do not particularly contest the right of the appellees to use such descriptive language as they think best to narrate the facts herein presented. Appellants are willing to concede that it is a Constitutional privilege in this free land of ours to have a difference of opinion. Appellants would even concede that the Constitution guarantees the right of a man to be wrong in his opinions. However it is the position of the appellants that what the appellees recite as fact are in some respects the result of over-indulgence in pleadings and treating with pleadings as facts.

At appellees' brief page 3, the appellees say:

"In this attack upon the elder Martin, a blow on the back of the head with a rock and a kick in his face rendered him unconscious (R. 116),

and he was left lying on the ground with his dentures broken to bits and with blood streaming from his mouth. (R. 327.)”

It is indeed true that at R. 327 Ross McDonald, one of the named defendants, against whom no verdict was returned, does support the facts as recited by the appellees that the elder Martin was losing some blood through his mouth. However the appellants challenge the appellees to show where at R. 116 they can support the proposition that the elder Martin received a blow on the back of the head with a *rock*. (Emphasis added.) The appellants submit that the word “*rock*” is no where to be found on R. 116 and accordingly it is quite obvious that the appellees are supplementing the record with the pleadings. Paragraph V of the appellees’ amended complaint at R. Volume 1-08 page 12 alleges as follows:

“That the injuries were brought about through unlawful acts, that is, assault and battery, and a felony known as assault with a deadly weapon, to-wit: at least one large rock held on the hand of one of the mob, with which he was struck a severe blow at the back of the head. . . .”

We think it is quite understandable that the appellants cannot read into the record the connotation and additional phraseology that seems desired on behalf of the appellees and accordingly contend that the appellees’ criticism of the appellants’ statement of the facts based on incidents as above described, is not justified.



The appellees contend at page 4 of their brief:

“The appellees were forced to remain in the area for approximately thirty (30) minutes. (R. 222.) They were finally allowed to leave after the arrival of the Territorial Police. (R. 239.)”

and again at page 9 of their brief, the appellees say on the same subject:

“The Territorial Police did, however, eventually arrive and upon arrival of the police the appellees were released by the gang.”

Now in support of those two particular quotations that deal with alleged force, the appellees recite R. 208, 222, 239 and 172. Obviously at R. 208 the appellees have reference to the answer of Robert L. Martin found at the bottom of the page. In one response Robert L. Martin is telling what he *figured* and he *thought*. A part of that answer reads as follows:

“... As a matter of fact, I figured that he had had it; I thought he was dead, so when I jumped back in the car; I called in for the Highway Patrol and an ambulance because I thought that—well, I figured when they had beat us up as much as they had that they’d be saying, ‘Let him go’ ...”

Now it is conceded that although the testimony relied upon by the appellees is in the record and accordingly can be used by the appellees since it was not objected to at the time of trial, it is an opinionated, self-serving statement on the part of the witness. By any standard it is mighty weak evidence upon

which to quarrel with the facts outlined by the appellants.

At R. 222, likewise relied upon by the appellees in support of the proposition that they were forced to remain, it can be seen that the clear inference of the testimony is only that about thirty minutes expired before the Highway Patrol, which the appellees had called, arrived at the scene of the accident. The appellees admit at R. 239 that they called the Highway Patrol and there the clear inference of the evidence is that since the appellees elected to remain at the scene of the accident, someone, supposedly Ross McDonald (R. 326, 328) directed that they refrain from blocking traffic on the highway and that instead if they desired to wait for the Highway Patrol that they should wait on the west side of the road. There is no great dispute in the record at this point because we find that at R. 328 Ross McDonald states that his main concern was relieving the traffic jam which was getting increasingly worse and therefore he desired to have the Martin car pulled out of the line of vehicles in order that traffic might be resumed.

There is nothing in the record to support the appellees' statement that they were "released by the gang" after the Territorial Police arrived except a bald statement that there was in fact a gang holding him or them.

Now, appellees take exception to the statement by the appellants that Robert Martin lost only two teeth

and contend that in fact Robert Martin lost his entire upper set of teeth as a result of the beating at the hands of the appellants' employees. The appellees cite R. 241 for authority that the entire set of teeth was knocked out when in fact the record discloses at pages 240 and 241, question by Mr. Bell:

"Mr. Martin, you testified about your teeth being knocked out and some of them being loose. How many teeth did you lose by extraction and by being knocked out?

A. I lost my entire upper set of teeth.

Q. Do you have a plate or false teeth there now?

A. I have an upper plate."

No particular contest is made of the fact that Robert L. Martin testified in substance that he did in fact, at the time of the trial, have an entire upper plate, but we do contest the allegation that he lost them in the accident involved in this litigation. R. 404 reads as follows:

Question by Mr. Hughes on cross-examination.

"Well, now this was after the accident of December 28, 1952, then that you had these dentures placed?

A. That is right. He told me—I was trying to get a bridge and he told me it was going to cost some \$750.00 to \$1,000.00, what he figured would be a temporary bridge, and I was trying to get the money enough together to get that kind of work done and then after the automobile struck me I figured it's going to be a long time, I better take the cheaper way, I will get something so I can eat.

Q. Well, then the second accident, that cleaned out the rest of your teeth?

A. The second accident didn't touch my teeth.

Q. How many teeth did you have left after the second accident?

A. I couldn't answer that question. I just don't know.

Q. You don't know whether you had 2 or a dozen, is that right?

A. I can answer it this way: I had 2 teeth kicked out, 2 teeth in the same upper and same location were loose to the point that I couldn't chew anything. I had previously in the Service had 1 tooth pulled out and I believe I had a wisdom tooth taken out. To the best of my knowledge they were all there after the fight as well as after the time the car struck me."

It may be that this quibble over facts is insignificant but certainly where the witness testified that he had his teeth extracted it is far different from a bald statement that the subject's teeth were in fact knocked out by virtue of a traumatic incident involved in this litigation. The least that could be said in this regard would be that while the cost incident to the repair of the teeth might be the cost of entire dentures, certainly the pain or suffering occasioned by the traumatic incident involved in the complaint, should be stripped of the implication that a half mouth of teeth or the upper side thereof was completely smashed or knocked out at one violent occurrence.

## II.

**THERE WAS NO SUBSTANTIAL EVIDENCE TO SUPPORT THE JURY'S FINDING OF THE MASTER AND SERVANT RELATIONSHIP AND THIS COURT IS FREE SO TO HOLD UPON THE PRESENT RECORD.**

The appellants in their opening brief urged that the essential elements necessary to establish a master and servant, employee-employer, or principal and agent relationship between the appellants and the individual actors found responsible by the verdict of the jury, was lacking, and accordingly there was an insufficiency of evidence to sustain the verdict against the appellants. It was further contended by the appellants that the failure of the jury to find against the defendants Ross McDonald and R. E. Wise was in fact a discharge of the appellants, for the reason that only those defendants had the dignity of office or employment such as would, by their actions, bind the appellants.

On the other hand the appellees pose in their brief, three possible avenues of recovery: (A) that the employer-employee relationship existed between the actors and the appellants and accordingly appellants must be bound; (B) that there did in fact exist a riot or mob violence; and (C) that the appellants are liable to the appellees for the creation of a dangerous condition.

(A) The first and apparently the prime theory of recovery is urged by the appellees on the ground that the employer-employee relationship existed at the time of the incident complained of in the appellees'

complaint. It is on this theory that a great preponderance of the authority recited by the appellees finds its bearing. The appellants have read in detail all of the authority cited by the appellees, a greater portion of which is taken from an article of Professor Ben F. Small of the Indiana University School of Law.

It is interesting to note that Professor Small urges that the authority recited in his article supports the proposition that:—the trend is toward a workmen's compensation-like treatment of the agency tort cases. This theory is expounded by the appellees at page 16 of their brief. If the trend of which the appellees speak is very pronounced, it certainly would appear that it is not of recent origin because at least 50% of the cases cited by the appellees, a greater portion of which appear to be taken from Professor Small's article, are more than thirty years of age.

Practically all of the liability cases cited by the appellees wherein the master was found responsible for the acts of his servant, were aggravated cases which, upon reading the facts, one would indeed be surprised if the master had not been held responsible. In nearly every case cited, with the possible exception of a workmen's compensation case, the employer-employee relationship admittedly existed at the exact time of the act complained of and in each case the court determined under the factual situations variously presented, that the agent was in fact doing an act in furtherance of the master, principal or employer's business or vocation.

With the above in mind the appellants contend that the authority recited by the appellees may well be good law for the propositions for which they stand, but the law is not applicable to the factual situation in the case at bar, where the employee-employer relationship, as appellants maintain, was not in existence and in fact was neither alleged with certainty nor proved by the weight of the evidence.

Indeed the only evidence that we have (see defendants' Exhibits A and B) outside of the unsupported statement of the appellees, is that the individual actors found responsible for the appellees' injury by the verdict of the jury, were free agents and members of the general public. The previous employment of the actors up to the time of their respective checkouts, as is shown by the defendants' Exhibits A and B, was the occasion for their presence at the time of the incident alleged and set forth in the appellees' complaint, and nothing more.

Since some question has arisen in the appellees' brief as to exactly what is disclosed by the appellants Exhibits A and B, those being the two exhibits containing the time cards of the some 55 hourly employees of the appellants, let us summarize exactly what is shown and more particularly let us review defendants' Exhibits A and B to determine exactly who was on the payroll of the appellants after 6 o'clock P.M. on the day in question.

It must be admitted that the altercation took place not earlier than 6 o'clock P.M. and not later than

7:30 P.M. on the day in question. In other words, it was some time after 6 o'clock that the incident took place and accordingly we should see what employees of the appellants actually worked after 6 o'clock. Defendants' Exhibits A and B disclose as follows:

Elmer Vermilyea, rodman, checked out at 6:30;

T. L. Mayfield, heavy duty mechanic, 9:30 P.M.;

Vaughn Manor, foreman, checked out at 8 o'clock;

L. A. Woodman, asphalt roller, 9 o'clock P.M.;

Rex Worthington, dozer operator, 6:30 P.M.;

Archie Vermilyea, patrol operator, 7 o'clock P.M.;

Perry Powell, heavy duty truck driver, 7:30 o'clock P.M.;

Arthur D. Smith, heavy duty truck driver, 7 o'clock P.M.;

John G. Shields, light duty truck driver, 7 o'clock P.M.

Charles Caron, oiler, 10 o'clock P.M.

George E. Cowdery, flagman, 7 o'clock P.M.

Gunnar Lende, laborer and flagman, 7:30 o'clock P.M.

It would accordingly appear that exclusive of salaried employees, 11 workmen and one foreman, Vaughn Manor, were on the payroll after 6 o'clock P.M. and it is worthy of note that none of the workmen above named was even mentioned by inference or otherwise in the entire transcript of the record as participating in the controversy. Vaughn Manor ad-



mittedly returned to the scene after the incident involving the appellees had been completed. Archie Vermilyea was operating a rolling machine which never stopped. (R. 305.)

In contrast, the participating actors and the parties who had been employed by the appellants during the day on which the incident took place, were John P. Bell, Duane J. Weber and Cecil Sipes. John P. Bell was a dozer operator by classification and his shift ended at 5:30 o'clock P.M. Cecil V. Sipes was a heavy duty truck driver. His shift ended at 5:30 o'clock P.M. and Duane J. Weber, a heavy duty truck driver, ended his shift at 6 o'clock P.M.

The appellants submit that the evidence is not only clear that the employer-employee relationship had ceased but that none of the actors was doing anything remotely connected with the furtherance of the appellants' business or within the scope of their previous employment.

B. As has heretofore been pointed out in the appellants' opening brief, the appellees' case was laid in the lower court on a theory of riot or mob violence. This theory has all but been abandoned on appeal. The appellees, at pages 23 through 26 in their brief, treat with the existence of a riot but cite no authority therefor, either in law or fact. The substance of the appellees' argument on the existence of riot is that at some places in the testimony the witnesses made reference to more than three persons being present at the scene of the incident. Apparently the appellees

rest on the proposition that if there were in fact 9, 10 or 15 men present at a given time that the jury would be justified in allowing a verdict on the basis of mob violence or riot. The court should have taken from the jury the question of riot so far as the appellants are concerned.

The appellees further contend that the appellants' argument is erroneous because the appellants' argument deals with the criminal aspect of riot. It is conceded that riot is a crime and that generally the definition of a riot is to be found only under the criminal code. It was never the argument of the appellants that such was not the case. Appellants contend that every crime has its civil counterpart in damages but that the civil counterpart does not modify the definition of the criminal aspect wherein civil suit is instituted for damages as a redress. Since no authority is cited by the appellees in respect to the existence of riot, we are forced to assume that the appellees desire the argument to rest upon an interpretation of the facts as they apply to existence or non-existence of riot. If this is the case then the test heretofore applied in appellants' opening brief should be the criterion of judgment.

C. The third feature of the appellees' argument is, as appellants contend, one that would make the appellants a virtual insurer of the safety of all persons using the segment of the highway on which construction was being accomplished by the appellants. The appellants urge that the record is so barren of

any such claim or proof of this contention as to make argument vain, useless and unnecessary.

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### III.

#### DAMAGES.

In regard to damages as they apply to this appeal, there are actually three questions:

1. Should a corporation be charged with damages even though it has been demonstrated that its agents (who had the dignity and authority to bind the corporation) have been, by the verdict of the jury, exonerated?

2. If the first question is answered in the affirmative, we then consider whether a corporation thus held to respond in damages generally may, as a part thereof, be held for punitive damages for acts which it did not ratify, condone, or in which it did not participate?

3. If both the first and second question are resolved in the affirmative and against the appellants, the next question is whether the award of damages to the two appellees was actuated by passion or prejudice in such an amount as would shock the conscience of the court.

Appellants suggest the very obvious conclusion that a negative answer to either the first or second question, which would favor the appellants, would make consideration of the third question moot. The ap-

pellants have, on the authority of *Dixie Ohio Express Co. et al., v. Poston*, Fifth C.C.A. 170 Fed. (2d) 446, answered the first question in the negative.

The second question has been answered in favor of the appellants on the authority of *Fuller et al., v. Blanc*, 83 Pac. (2d) page 434 as set forth in appellants' opening brief.

The final question posed on damages has been answered in part by the trial court. The trial court reduced the appellee L. A. Martin's award of actual damages (R. vol. 1-08 p. 63) in the amount of \$7000.00 by the sum of \$2500.00 (R. vol. 1-08 pp. 60, 61). The appellants contend that the record speaks for itself and that the trial court by such reduction ruled in fact that the award was, as it originally stood, such as to shock the conscience of the court. Appellants further maintain that the sole question to be resolved in the event this phase of the problem is considered by the appellate court, is whether the trial court went far enough in its order of remittitur.

The appellants contend that if the award of the jury, as modified by the trial court, is allowed to stand, and is used in the future as a standard of damages, it appears rather certain the funds of respondents would be long exhausted before any claimant, who had a serious injury, could be properly compensated.

The appellees, in their argument on the question of damages, set forth the general definition of punitive damages taken from American Jurisprudence

and with the general definition of punitive damages we have no quarrel but the case law set forth by the appellees is not helpful to the determination of the case at bar and recites, among others, a malicious prosecution, wrongful attachment suit, two assault cases, one slander case, and a 1954 wrongful death occasioned by a horrible burning taken from the jurisdiction of Mississippi. We have read the cases with interest and we have no quarrel with the authority set forth in the cases cited but we must respectfully submit that they have no bearing upon the case at bar.

At no time did the appellants contend, where actual damages were awarded, that a jury was beyond its right in law to award punitive damages. The appellees have set forth one or more cases in which the state courts have allowed the assessment of punitive damages without the assessment of actual damages. It is the law in our jurisdiction that no punitive damages may be assessed without actual damages. Since there were actual damages assessed there can be no argument but what punitive damages would follow so far as the law of damages is concerned, so long as such damages did not shock the conscience of the court. Whether punitive damages can be properly assessed against the appellants is still another question.

Appellants do however urge that just as surely as good law and common sense dictate that a corporate party cannot be chargeable in tort unless it has, through its agents, servants or some acting party, committed an act or created a wrong for which it

should be charged, neither can a principal be held responsible either for actual damages or punitive damages where its agents are discharged and found to be without fault.

We have heretofore urged the authority of *Dixie Ohio Express Co. et al., v. Poston*, Fifth C.C.A. 1948, cited at 170 Fed. (2d) 446, and we submit that that is good law. This court has set its standards of judgment in *Pac. Tel. & Tel. v. White*, 104 Fed. (2d) 923 on the matter of damages and the relationship of the actors to the master. It is submitted that the application of the law therein, to the facts here presented, can accomplish no other result than a direction of this court for the appellants.

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#### IV.

##### **THERE WAS NO JUDGMENT UPON WHICH TO PREMISE INTEREST AS COMPUTED BY THE TRIAL COURT.**

The appellees urge the authority of Barron & Holtzoff, Federal Practice and Procedure at page 221, volume 3. The appellees at page 35 of their brief, recite the last sentence of the paragraph taken from the text on page 221 of that publication.

Attention is called to the fact that the last sentence quoted at page 35 in the appellees' brief is followed by a footnote annotation No. 29 and there is recited in said footnote the case of *Murphy v. Lehigh Valley R. Co.*, C.C.A. 2d 1946, 158 Fed. (2d) 481. The footnote language clearly shows the decision of the

*Murphy* case to be on nearly all fours with the situation at bar. We quote from the footnote:

“Where motion to set aside verdict was granted conditionally with leave to plaintiff to file remittitur, which was done, day on which judgment order was then entered was when the notation of judgment in the civil docket should have been made, and that day became the judgment day, from which interest was allowable.”

The appellants contend that there is no latitude given to the trial court to set interest on a judgment as the circumstances of equity and discretion might direct. Appellants admit that the law is that the judgment should be entered forthwith except where excusable delay is shown. Where, as in this case, the court by its order of remittitur clearly ruled that the motion of the appellants was not facetious, sham or made for the purpose of delay but on the contrary was a matter of real merit, then there can be no basis for interest, and accordingly no computation of interest until the judgment is entered. The trial court was in error in establishing the interest at a time arbitrarily established as ten days next succeeding the verdict of the jury.

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## V.

### CONCLUSION.

The argument herein contained is adopted by the appellants in both of the captioned causes and the argument set forth in appellants' opening brief is

adopted for the purpose of this reply. The judgment of the lower court should be reversed as to these appellants.

Dated, Anchorage, Alaska,  
February 26, 1957.

DAVIS, RENFREW & HUGHES,  
By JOHN C. HUGHES,  
*Attorneys for Appellants.*



No. 15,108

United States Court of Appeals  
For the Ninth Circuit

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S. BIRCH & SONS, a corporation, C. F. LYTLE,  
a corporation, and GREEN CONSTRUCTION  
COMPANY, a corporation, partners doing  
business as Birch, Lytle & Green,

*Appellants,*

vs.

L. A. MARTIN,

*Appellee.*

L. A. MARTIN,

*Appellant,*

vs.

S. BIRCH & SONS, a corporation, C. F. LYTLE,  
a corporation, and GREEN CONSTRUCTION  
COMPANY, a corporation, partners doing  
business as Birch, Lytle & Green,

*Appellees.*

BRIEF FOR APPELLEE IN RESPONSE TO  
BRIEF OF CROSS-APPELLANT L. A. MARTIN.

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DAVIS, RENFREW & HUGHES,

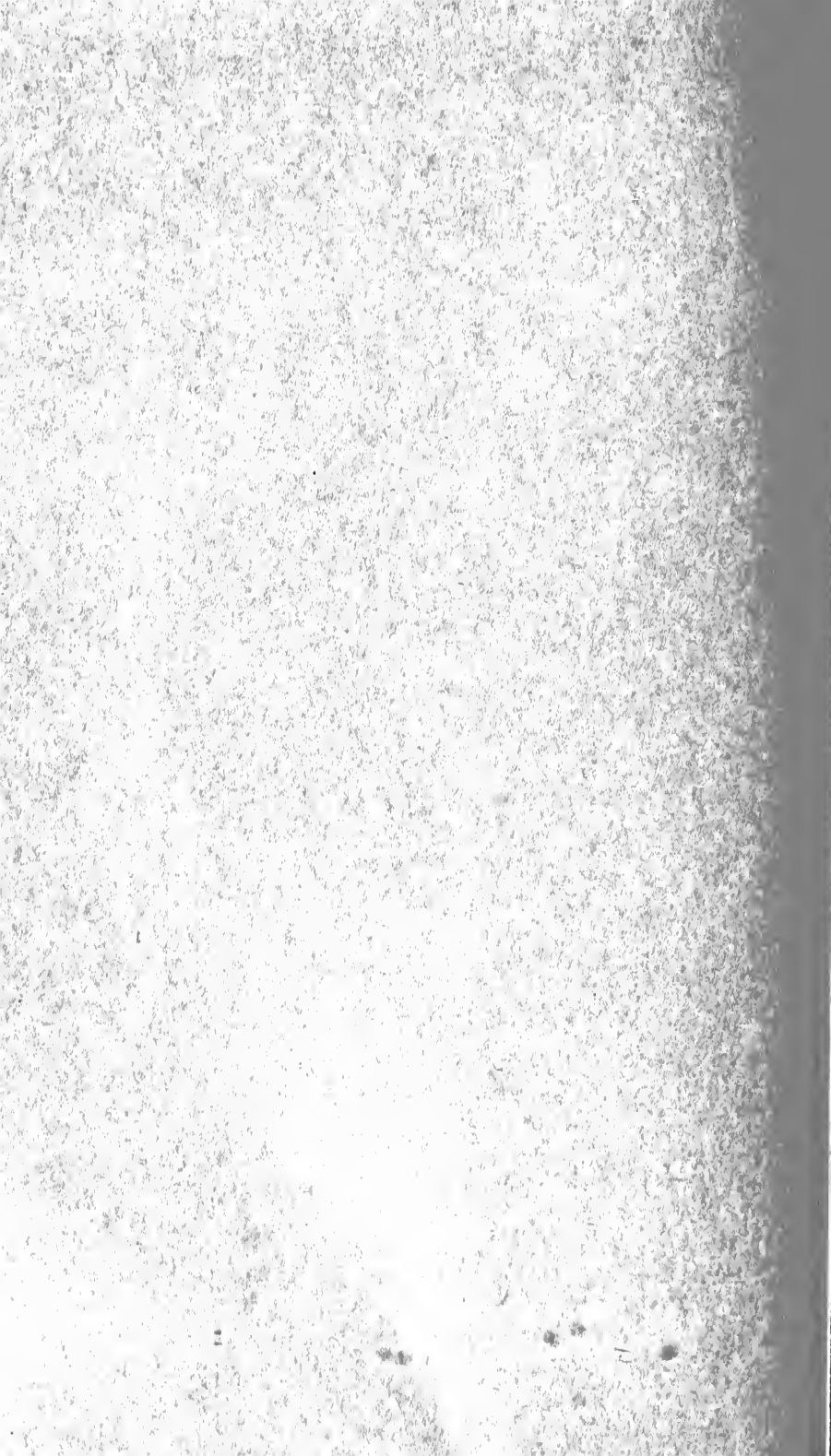
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# United States Court of Appeals For the Ninth Circuit

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S. BIRCH & SONS, a corporation, C. F. LYTLE,  
a corporation, and GREEN CONSTRUCTION  
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*Appellants,*

vs.

L. A. MARTIN,

*Appellee.*

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L. A. MARTIN,

*Appellant,*

vs.

S. BIRCH & SONS, a corporation, C. F. LYTLE,  
a corporation, and GREEN CONSTRUCTION  
COMPANY, a corporation, partners doing  
business as Birch, Lytle & Green,

*Appellees.*

## BRIEF FOR APPELLEE IN RESPONSE TO BRIEF OF CROSS-APPELLANT L. A. MARTIN.

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### STATEMENT OF PLEADINGS AND JURISDICTION.

For the purpose of this answer to the brief of cross-appellant L. A. Martin, the appellee Birch, Lytle & Green adopts the statement on pleadings and jurisdiction as set out in its opening brief.

### STATEMENT OF THE CASE.

The cross-appellee takes no particular exception to the statement of the case in respect to the brief of the cross-appellant and accordingly elects to make no statement of its own. For the purpose of this brief Birch, Lytle & Green will be referred to as the appellee and L. A. Martin will be referred to as the cross-appellant, truly appellant and cross-appellee.

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### SUMMARY OF ARGUMENT.

The appellee herein is of the opinion that as a practical matter, but a single question is herein presented for the determination of this court on the cross appeal of L. A. Martin, that question being: May a plaintiff who has consented to or accepted the remittitur as ordered by the trial court as a condition to denying a new trial, subsequently challenge the authority of the court with respect to the order to which cross-appellant gave his consent? A possible second question of a related nature is presented: Does a litigant by accepting or consenting to the remittitur, waive any technical objection as to procedure which he might have otherwise had to the order of the trial court?

The appellee herein submits that both questions must be resolved against the cross-appellant.

The appellee has searched the authority presented in the cross-appellant's brief with the exception of the second and third cases listed in the table of authorities cited in the brief of the cross-complaint, which two

cases, so far as the appellee has been able to ascertain, were mis-cited, either through inadvertence of counsel or error in printing. While the cross-appellant has cited some worthy authority, no authority, so far as we have been able to ascertain, has been cited by the cross-appellant that deals directly with the questions above recited.

Let us assume for the sake of argument that the trial court made a procedural error in ruling on a motion, as is contended by the cross-appellant. The cross-appellant not only failed to object to those alleged procedural errors but gave his positive consent (R vol. 1, 08 at page 61) which reads as follows:

“Comes now the Plaintiff above named, L. A. Martin, by and through his attorneys, Bell, Sanders & Tallman, and consents to a remittitur on the verdict of the jury under compensatory damages in the sum of \$2,500.00, in accordance with that certain minute order dated December 30, 1955, on file herein.

Dated this 6th day of January, 1956.

Bell, Sanders & Tallman  
/s/ James K. Tallman,  
Attorneys for Plaintiff.

Service of Copy Acknowledged. (Endorsed)  
Filed January 6, 1956.”

With the above in mind it cannot be denied that the cross-appellant herein did in fact consent to the remittitur ordered by the court and accordingly one would assume that the consent was given without reservation since none is stated.

There is nothing that the appellee can find in the substantial list of cases cited by the cross-appellee which disputes or modifies the respectable authority of Mr. Justice Brewer of the United States Supreme Court in the case of *Lewis v. Wilson*, 151 U.S. 551, which was decided in 1894 on a writ of error issued to the Circuit Court of the United States for the Northern District of Florida involving a verdict and judgment in the plaintiff's favor in the amount of \$10,000.00 on which the court ordered a remittitur in the amount of \$5000.00, which remittitur was accepted by the plaintiff, who subsequently after the payment of the judgment, moved the court for a judgment on the verdict of the jury, alleging four specifications of error. It is to be noted in that case that no formal consent was filed but there was merely a notation of the clerk that counsel for the plaintiff in open court accepted the remittitur.

Mr. Justice Brewer, in his opinion, stated in part as follows:

“It is unnecessary to express any opinion as to the right of a party to file a motion for a new trial more than four days after the verdict; nor to decide whether the court can or cannot—in the absence of any motion, of its own volition—whenever it sees that a grievous wrong has been done by a verdict, set it aside. For there is nothing which prevents a party having a verdict from consenting to its reduction; and if he does so, though only for the sake of obtaining immediate satisfaction of his claim and to avoid further delay and further litigation, he may not, after the entry of judgment based thereon, the receipt



of payment, and an acknowledgment of satisfaction, repudiate the whole transaction, and obtain a judgment for the full amount of the verdict, on the ground that under the law the court had no power to disturb the verdict. A man may continue litigation and stand on his rights, or he may waive some of his rights for the sake of terminating litigation; and when advised that a new trial will be granted, unless he consents to a reduction of the verdict, he may, although knowing that the court has no power to grant such new trial, and that if it be done an appellate court will correct the error, consent to a reduction and let judgment be entered for the amount of the verdict thus reduced. And if he does so, he is concluded by his action in that respect. Here not only was there a consent on his part to a reduction, but also what amounted to a waiver of errors by the defendants, and a promise to pay the amount of the judgment. There was full consideration for the agreement, and judgment was entered in accordance therewith. Thereafter he received payment and acknowledged full satisfaction. The litigation is at an end by his consent, and he cannot reopen it. There is no force in the contention of the plaintiff that no written consent to the reduction of the verdict, signed by himself or attorney, was filed in the case. None was necessary. A party may in open court consent to such reduction, and the noting of his consent by the clerk in the journal entry of the judgment is sufficient evidence thereof, and cannot be questioned. The judgment will be affirmed."

While it is true that in the case at bar the judgment has not been paid or discharged, it is to be re-

membered that an adequate supersedeas bond has been placed and that accordingly there is tantamount to a payment into court of the amount of the judgment so entered by the court on the consent of the cross-appellant herein. The *Lewis v. Wilson* case finds further parallel since in that case a procedural defect of late filing of motion for new trial was claimed.

There is no showing that the cross-appellant herein excepted to the decision of the court in respect to its order of remittitur and accordingly, following the well-reasoned theory that one who remains silent when duty commands him to speak shall not thereafter be heard to complain because duty remands him to silence. The appeal of L. A. Martin should as a matter of right be dismissed, for not only did the cross-appellant herein remain silent in respect to objection to the court's order of remittitur, but he affirmatively accepted, not by stipulation in open court as in the *Lewis v. Wilson* case, but by actual signed document. (R vol. 1, 08 page 61.)

If in fact the court did make an omnibus order on December 30, 1955 or if the cross-appellant thought the court made an omnibus order, the order of the court could have at that time been challenged, but instead the order of the court was accepted by the cross-appellant, and whereas, there had been no judgment theretofore, the court did, as a result of said consent, enter its judgment. As was so properly observed by Mr. Justice Brewer:

“A man may continue the litigation and stand on his rights, or he may waive some of his rights for the sake of terminating the litigation; \* \* \*”

The clear conclusion is that he shall not have his cake and eat it at one and the same time.

It is understandable that there should occur a dearth of authority on the particular question herein being considered since it should be conceded that indeed the court rarely should, if ever, allow a litigant to accept and reject in the same breath. That same theory has found voice in the daily affairs of man in expressions that are almost legendary because of their logic and simplicity, such as "you can't carry water on both shoulders", "thou shalt not serve two masters", "don't try to talk out of both sides of your mouth" etc., and accordingly we should expect that case law to support a lesson so well learned would be minimal.

Appellee has, however, found that the decision in the *Lewis v. Wilson* case still enjoys the dignity of its respectable author.

Attention of the court is called to the case of *Deer v. Deer*, decided in the Supreme Court of Washington in 1947, cited at 186 Pac. (2d) 619. An interesting factual situation arose there in the trial of a domestic relations matter before Judge Kinne of the Superior Court of King County. During the course of the trial a recess was called in order that the plaintiff and the defendant might discuss the possibilities of settlement. After an extended conference in the jury room between the parties litigant and their counsel, they came into open court and in a seven page stipulation (apparently dictated into the record) agreed to a property settlement involving

real property, wherein they did not give the legal description to the property to be divided between the parties to the community interest. Nonetheless Judge Kinne, giving full force and effect to the open court stipulation of the parties, entered the decree accordingly. The wife, during the interlocutory decree period, moved to alter the decree and this show cause proceeding was heard before Judge Batchelor of the Superior Court, who after reviewing the facts, refused to modify the decree which was largely based upon the oral open court statement involving the real property. The wife then took an appeal from both the interlocutory decree entered by Judge Kinne and the refusal of Judge Batchelor to modify the decree. The Supreme Court of the State of Washington, in a unanimous decision written by Judge Steinert, affirmed the holding of the lower court and cited with approval, at page 624 of said opinion, the *Lewis v. Wilson* case hereinabove referred to.

The United States Supreme Court decision in the *Lewis v. Wilson* case assisted the court in its decision in *New York Cent. Mut. Fire Ins. Co. v. Diaks*, decided by the Supreme Court of Florida, 1954, 69 So. (2d) 786, which was actually a suit involving three appellant insurance companies against the same respondent. In that particular case a contest arose in respect to payments under a policy of insurance and the counsel for the insurance company at the opening of the trial in the lower court asserted that the policy was in full force and effect and that the only question to be determined was a matter of damages,

and on that theory the case proceeded to trial before the court. While damages were being explored a question of disclosure or non-disclosure of a divided ownership arose and the insurance companies sought to claim a violation of the policy and to disclaim responsibility under the policy by reason of this non-disclosure of a divided ownership which, according to the record there presented, was doubtful but nonetheless was a possible defect in respect to the insurable interest. The trial court held that the parties had come into court to determine the question of damages and had so stipulated and accordingly they were confined to damages. This holding of the trial court was affirmed by a unanimous decision of the Supreme Court of Florida. In that particular case the decision of Judge Brewer as laid out in *Lewis v. Wilson*, 151 U.S. 551, was quoted as compelling authority.

The appellee without waiving its right to make all argument in explanation of or in the distinguishing of the long list of authorities cited by the cross-appellant herein, respectfully submits that this cross-appeal should find its disposition within the framework of Mr. Justice Brewer's opinion above recited.

---

### CONCLUSION.

In view of the authority above recited and the consent filed by the cross-appellant herein, the appellee contends that the further consideration of authority on this segment of the appeal is unwarranted and

that as a matter of right based on authoritative law,  
the cross-appeal should be dismissed.

Dated, Anchorage, Alaska,  
March 11, 1957.

Respectfully submitted,  
DAVIS, RENFREW & HUGHES,  
By JOHN C. HUGHES,  
*Attorneys for Appellees.*

Nos. 15,107 and 15,108

IN THE

United States Court of Appeals  
For the Ninth Circuit

S. BIRCH & SONS, a corporation, C. F. LYTLE,  
a corporation, and GREEN CONSTRUCTION  
COMPANY, a corporation, partners doing busi-  
ness as Birch, Lytle & Green,

*Appellants,*

vs.

ROBERT L. MARTIN,

*Appellee.*

No. 15,107

S. BIRCH & SONS, a corporation, C. F. LYTLE,  
a corporation, and GREEN CONSTRUCTION  
COMPANY, a corporation, partners doing busi-  
ness as Birch, Lytle & Green,

*Appellants,*

vs.

L. A. MARTIN,

*Appellee.*

No. 15,108

L. A. MARTIN,

*Appellant,*

vs.

S. BIRCH & SONS, a corporation, C. F. LYTLE,  
a corporation, and GREEN CONSTRUCTION  
COMPANY, a corporation, partners doing busi-  
ness as Birch, Lytle & Green,

*Appellees.*

APPELLEES' PETITION FOR A REHEARING.

BELL, SANDERS & TALLMAN,  
Central Building, Anchorage, Alaska,  
*Attorneys for Appellees.*

FILED

JUN 11 1957

PAUL P. O'BRIEN, CLERK





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Nos. 15,107 and 15,108

IN THE

**United States Court of Appeals  
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S. BIRCH & SONS, a corporation, C. F. LYTLE,  
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No. 15,107

vs.

ROBERT L. MARTIN,

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S. BIRCH & SONS, a corporation, C. F. LYTLE,  
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ness as Birch, Lytle & Green,

*Appellants,*

vs.

L. A. MARTIN,

*Appellee.*

No. 15,108

L. A. MARTIN,

*Appellant,*

vs.

S. BIRCH & SONS, a corporation, C. F. LYTLE,  
a corporation, and GREEN CONSTRUCTION  
COMPANY, a corporation, partners doing busi-  
ness as Birch, Lytle & Green,

*Appellees.*

**APPELLEES' PETITION FOR A REHEARING.**

*To the Honorable Homer T. Bone, the Honorable James Alger Fee and the Honorable Stanley N. Barnes, Circuit Judges:*

I.

**PRELIMINARY STATEMENT.**

In an opinion filed on May 15, 1957, this Honorable Court reversed the judgment of the District Court for the District of Alaska, Third Judicial Division, as to the above captioned defendant partners. *Said judgments were based upon jury verdicts returned in the two consolidated cases after five days of trial.*

The reversal appears to be primarily based upon inconsistency of verdicts and insufficiency of the evidence.

---

II.

**STATEMENT OF THE CASE.**

This petition for rehearing seeks to have this Honorable Court reconsider the facts and law applicable to the cases herein on the two indicated points, namely the inconsistency of verdicts and insufficiency of the evidence.

---

III.

**SUMMARY OF ARGUMENT.**

A. The verdicts herein were not inconsistent since the appellants were negligent, independent of McDonald and Wise.

B. The evidence was sufficient for the jury to find appellants guilty of independent negligent conduct.

## IV.

## ARGUMENT.

## A. INCONSISTENCY OF VERDICTS.

This Court stated in the last page of the opinion:

“The jury absolved both McDonald and Wise from individual responsibility. We can only conclude therefrom that it found neither was negligent. The master’s liability being wholly derivative, the release of the servants bars any recovery from the master.”

As indicated by the Court, the above statement of law does appear to be the majority rule, *when applicable. That rule does not apply to the case at bar.*

This Court cites (57 CJS), master and servant, pages 421-422 in support of the rule that the release of the servants bars recovery against the master. However, the proper rule applicable to the case at bar is given in that same citation at page 423 (57 CJS):

“The rule that on acquittal of the servant the master is exonerated from liability *has no application except in cases where the liability of the master is based solely on the wrongful act of the servant, who is acquitted.*” (Emphasis supplied.)

This rule is universally accepted and the following are some of the later cases in support of this doctrine:

*Hedlund v. Sutter Medical Service*, 124 P. (2d) 878;

*Southern Kansas Stage Lines Co. v. Crain*, 89 P. (2d) 968;

*McCullough v. Langer*, 73 P. (2d) 649;

- Fitch v. Bekins Van & Storage Co.*, 70 P. (2d) 670;  
*Aldrich v. Island Empire Tel. & Tel. Company*, 113 P. 264;  
*Elgin v. Kroger Grocery & Baking Co.*, 206 S.W. (2d) 501;  
*Atterbury v. Temple Stephens Co.*, 181 S.W. (2d) 659;  
*Devine v. Kroger Grocery & Baking Co.*, 162 S.W. (2d) 813;  
*Stith v. J. J. Newberry Co.*, 79 S.W. (2d) 447;  
*D. B. Loveman Company v. Bayless*, 169 S.W. 841;  
*Fonda v. Northwestern Public Service Co.*, 292 N.W. 712;  
*Mullikin v. Southern Bleachery & Print Works*, 192 S.E. 665;  
*Pettis v. Standard Oil Co. of New Jersey*, 179 S.E. 894;  
*Wills v. Montfair Gas Coal Company*, 138 S.E. 749.

For a late California case on the question of liability based upon negligence of an employee see *Jensen v. Southern Pacific Company*, 276 P. (2d) 703 at page 705 of the opinion where the Court states:

“If the company’s liability, predicated upon negligent operation of the train, rested solely upon *respondeat superior* and not upon its own independent tort, exoneration of the trainmen would have exonerated the company. *Freeman v. Churchill*, 30 Cal. 2d 453, 461, 183 P. 2d 4, and authorities there cited.”

This case clearly shows the application of the above indicated rule to be limited to where the case depended solely on *respondeat superior* but not as here, where there are three ways of making the judgment debtors liable. 1. Failure to exercise proper care to protect persons using the roadway under their control. 2. Furnishing the liquor to get its employees drunk without reasonably preventing their drunk guests from injuring the plaintiffs.

The evidence shows a policy of the corporations who were partners here, to furnish just such a celebration when any particular job is ending. Quoting from the testimony of Mr. Wise (TR 89):

“Yes, sir. Just having, as I say, a get-together like we always have at the completion of a job.”

And from TR 91:

“Q. (By Mr. Bell): Was there a large number of men, of your employees, participating in the consuming of this intoxicating liquor?

A. Well, it looked like there were quite a few of them drinking, yes, sir.”

Then Ross McDonald testified (TR 317):

“Q. And what was the occasion for these refreshments?

A. Well, it was the completion of the job and *generally was—our general custom had been with the company*, not on all jobs, but many of them, at the completion of the job, such as that— . . .”  
(Emphasis supplied.)

For another comment on the above indicated rule, see 78 ALR 364, at page 366 where it is stated:

“It is clear that, if the liability of the master or principal is not predicated *solely* upon the negligence of the particular servant or agent in whose favor a verdict has been found, such verdict is not inconsistent with the liability of the master or principal by reason of the negligence of another servant or agent or that of the master or principal himself. See *Chesapeake & O. R. Company v. Booth* (1912) 149 Ky. 245, 148 S.W. 61; *Senske v. Washington Gas & E. Company* (1931)—Wash.—, 4 Pac. 2d 523.” (Emphasis supplied.)

This Court stated at page 9 of the opinion:

“ . . . that the defendant partnership would be liable under the facts of this case only if its supervisory employees, McDonald and Wise, had been derelict in the performance of their duties.”

*But, McDonald and Wise weren't the only supervisory employees on the job.* One of the appellants' foreman stated that there were five or six. (TR 247.) These parties were not sued because plaintiffs were unable to determine their names.

In the case at bar, the liability of Birch, Lytle and Green was not predicated upon the liability of McDonald and Wise whatsoever, and there is no showing in the record that the jury held the company liable on the basis of what McDonald and Wise did, or failed to do.

It is quite obvious that the jury in this case did not hold McDonald and Wise liable for the reason that the evidence indicated that McDonald and Wise did not personally join in the assault upon the two plaintiffs.



But such release of McDonald and Wise *would only release the company for any liability based on an assault by McDonald and Wise upon the Plaintiffs.*

With respect to the question of negligent control, it seems extremely unreasonable that McDonald and Wise, who, as bosses on one construction project are merely lesser officials of a large construction company, should be liable for everything for which the company itself might be liable. *The purpose of having a party for the employees is a matter of policy of the construction company and such celebrations are conducted by the company in furtherance of better employee relations.* The company policy of getting its employees drunk without providing adequate other individuals to control the area *would be the negligence on the part of the companies.* This was unquestionably established.

Instruction No. 14 (TR 33-15, 108) clearly instructs the jury on the question of care and control of property, as follows:

“You are further instructed that it is the duty of a person or corporation in custody and in the control of property, to use care to prevent persons lawfully coming upon said premises from injury, and if you find and believe that the defendants did not exercise that degree of care for the protection of persons using the highway under the care of the defendants to protect them from injury, then the defendants would be liable and the plaintiffs would be entitled *to recover against the defendants and each of them who failed in their duty to protect the plaintiffs,* who you may find were lawfully using the restricted area of the roadway under the

control of the defendants, Birch, Lytle & Green, as described in plaintiff's complaint, and their agents, servants and employees." (Emphasis supplied.)

This instruction clearly indicated that the jury should find those defendants liable who failed in their duty to protect the plaintiffs. In view of this instruction it appears that the jury must have decided that McDonald and Wise were not derelict in their duty toward the plaintiff but that the company was. It should also be noted that this Court stated at page 7 of the opinion with reference to McDonald that:

"His presence on the scene begins just as the actual brawling was ending."

Thus, the jury could have and evidently did hold the company liable for negligent control of the area for that period of time when McDonald wasn't even in the area. But such a finding isn't necessary to exonerate McDonald and Wise and still hold the company. McDonald and Wise may have done everything within their power to protect the plaintiffs, and yet have been physically unable to do so. The dereliction in such a case would be that of the company alone and not that of McDonald and Wise. *But this is a question of fact for the jury to determine.*

And since it was determined in favor of the plaintiffs, then this appellate Court should not substitute its opinion for that of the jury, who are the triers of the facts, and the facts may be proven by direct or circumstantial evidence, or reasonable inferences drawn

therefrom. See *Highway Construction Co. v. Shue*, 49 Pac. 2d 203 and *St. Louis S. F. Ry. Co. v. Starkweather*, 297 Pac. 815.

It must be borne in mind that the transaction herein was a quite complex affair involving as many as fifty (50) men or more and more than one dereliction of duty toward the plaintiffs. The first, and most apparent violation occurred in the assaults upon the plaintiffs. It was clearly on the basis of the assaults that the jury held the defendants Weber and Bell, since the evidence shows that they did assault the plaintiffs. McDonald and Wise apparently did not, so the jury freed them of all liability. However, the negligent control of the area was another violation of a duty which is not quite so apparent but upon which a clear instruction was given. (Instruction 14 *supra*.)

Both of these violations of duty were torts against the plaintiffs. There is, however, one outstanding difference between the two. The assault is a tort of commission whereas the negligent control is a tort of omission.

The negligent control herein was the failure to act and provide the care necessary to protect the plaintiffs while the plaintiffs were in the area under the control of Birch, Lytle & Green. This failure to act in the case at bar is the failure of the officers and directors of the corporation to provide the necessary care while providing for the drinking parties in the betterment of their employer-employee relationship. McDonald and Wise were not officers or directors of the corporations in-

volved and their only duty in this matter of negligent control was to the company. Where the company failed to provide the necessary facilities, and help, to care for the plaintiffs while they are in the area under the company control. The duty, in the matter of negligent control, or with respect to this question of control of an area, was the duty of the company. *The possession of the area was in the company regardless of what McDonald and Wise did, or did not do.* The company could have removed McDonald and Wise, or any of its other employees from the area at any time that it saw fit, and no employees, including McDonald and Wise, had rights in the area independent of the company whatsoever.

Even if McDonald and Wise were negligent in the control of the area, and this Court even seems to infer that perhaps they were (page 9 of opinion), the most that could be said on behalf of the appellants would be that the negligence was joint with that of the company. But even so, the release of one joint tort-feasor by a jury does not release the other. See *Bigelow vs. Old Dominion Copper Mining & Smelting Company*, 225 U.S. 111.

The company was negligent independently of McDonald and Wise, and the jury could so find on any one of the three theories contended for by plaintiffs in the trial court and the jury did so find. Therefore, the verdict of the jury should not be disturbed and the judgment of the trial court should be affirmed.

**B. INSUFFICIENCY OF EVIDENCE.**

Although this Court did not directly indicate that insufficiency of the evidence was a ground for reversal in this case, the opinion, at least indirectly, questions the sufficiency of the evidence.

On page 7 of the opinion this Court makes many statements of fact. Then upon these facts the Court stated:

“This is hardly adequate evidence to bind the partnership, on a theory of ratification, to vicarious liability.”

Thus, the impression given by the opinion is that this Court is determining facts from the evidence that should properly be determined by the jury. The Court appears to have, obviously inadvertently, usurped the function of the jury, and at least in part, retried the case upon the evidence in the record, and there is direct, and circumstantial, evidence to support the verdict as well as the reasonable conclusions drawn therefrom. *Highway Construction Co. v. Shue*, above cited.

Another statement of the Court in the opinion which indicates a tendency on the part of the Court to take the fact finding function away from the jury is at page 8 of the opinion as follows:

“Prerequisite to liability is the showing that the employee knew or should have known of the necessity and opportunity for exercising such control.”

This statement is correct, although the Court later infers that there was no liability under this particular

rule, even categorically stating on the following page that:

“The record does not disclose any independent negligent conduct on the part of the partnership itself.”

The jury must have found that the prerequisite liability was there, and that there was independent negligence on the part of the partnership. Such a conclusion was a perfectly reasonable conclusion on the part of the jury based upon sufficient and probative evidence that was presented to them. The jury knew that Birch, Lytle & Green were three large construction companies banded together for construction purposes in Alaska and it was common knowledge to everyone that these companies had been in Alaska for many years on construction projects. The jury also knew that Birch, Lytle & Green employed many construction workers. The jury knew, or could reasonably infer, that such a large company would know, or should know, of the necessity of providing safeguards whenever the company gave one of its completion party drinking functions. Even the dullest of the jurors who tried this case would undoubtedly know that a gang of construction workers under the influence of alcohol would need control.

When the officers and Board of Directors of the construction company, Birch, Lytle & Green, authorized the completion celebration, which was an established custom as shown by the evidence, and the furnishing of alcoholic drinks to their employees, which would be for the betterment of employer-employee relationships,

those officers and directors knew, or should have known of the necessity of exercising control at the part, and steps should have been taken to protect the public. *The failure to so act by the officers and directors of Birch, Lytle & Green was negligent conduct by the partnership itself.*

---

## V.

## CONCLUSION.

In conclusion it is submitted that the questions of whether the appellants were guilty of negligence independent of the two employees who were exonerated by the jury and whether such exoneration should release the employers are questions that have not been adequately examined by the Court. A petition for rehearing should be granted to further examine these questions which are so important that the whole determination of this case could turn upon them.

Dated, Anchorage, Alaska,  
June 8, 1957.

BELL, SANDERS & TALLMAN,  
By JAMES K. TALLMAN,  
*Attorneys for Appellees  
and Petitioners.*

## CERTIFICATE OF COUNSEL.

I, James K. Tallman, one of the attorneys for petitioner in the above-entitled action, hereby certify that the foregoing petition for rehearing of this cause is presented in good faith and not for delay, and in my opinion, is well founded in law and in fact, and proper to be filed herein.

Dated, Anchorage, Alaska,

June 8, 1957.

JAMES K. TALLMAN,  
*of Attorneys for Appellees  
and Petitioners.*



No. 15110.

IN THE

# United States Court of Appeals

FOR THE NINTH CIRCUIT

---

JOHN LUCAS HUDSON, SR., and PACIFIC-PALMDALE DEVELOPMENT COMPANY, a corporation,

*Appellants,*

*vs.*

WILLIAM A. WYLIE, as Trustee in Bankruptcy of the Estate of JOHN LUCAS HUDSON, SR., a Bankrupt,

*Appellee.*

---

## APPELLANTS' OPENING BRIEF.

---

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1032 Wilshire Boulevard,  
Santa Monica, California,  
*Attorney for Appellants.*

FILED

JUL 23 1956

PAUL P. O'BRIEN, CLERK



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No. 15110.

IN THE

# United States Court of Appeals

FOR THE NINTH CIRCUIT

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JOHN LUCAS HUDSON, SR., and PACIFIC-PALMDALE DEVELOPMENT COMPANY, a corporation,

*Appellants,*

*vs.*

WILLIAM A. WYLIE, as Trustee in Bankruptcy of the Estate of JOHN LUCAS HUDSON, SR., a Bankrupt,

*Appellee.*

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## APPELLANTS' OPENING BRIEF.

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### Statement of Jurisdiction.

This is an appeal from an order of the District Court, Southern District of California, Central Division, affirming on review, Findings of Fact, Conclusions of Law and Order of a Referee in Bankruptcy. Jurisdiction of the District Court existed under Section 67(c), Title 11, U. S. C. A. Jurisdiction of this Circuit Court of Appeals lies under Section 47(a) and (b) of Title 11, U. S. C. A.

### Statement of the Case.

This appeal is taken from an order of the District Court in a summary proceedings in favor of William A. Wylie, trustee in bankruptcy of the estate of John Lucas Hudson, Sr., confirming a decision by the Referee holding that the trustee was entitled to certain sums and credits arising on account of personal services of the bankrupt rendered before and after adjudication under a contract alleged by the trustee to have existed prior to adjudication.

In 1952 the bankrupt made an assignment for the benefit of his creditors [R. p. 205]. An attorney, Mr. Granger, had represented the bankrupt in a lawsuit prior to his assignment, but did not represent him therein nor again until early in 1954 [R. pp. 232-233]. Attorney Granger, desiring to exploit the bankrupt's talents for mass production in construction, obtained his oral statement that his personal services would be available to Mr. Granger in any deal he might later set up [R. p. 233]. Prior to March, 1954, Mr. Granger, in the name of Sierra Construction Company, submitted to Commodity Credit Corporation (hereinafter referred to as CCC) a request for the right to bid on a contract for the fabrication and erection of grain bins. The request was not answered for several months. While the bankrupt was employed for wages as a construction foreman in San Diego Mr. Granger conceived the idea of a program for the mass production of homes, and developing the idea, investigated the various areas where an active demand for homes would encourage FHA and VA government loans and determined upon Palmdale, California, as a likely area [R. p. 235]. About January, 1954, Mr.



Granger, in company with the bankrupt, one Philip Bloom, and another unidentified man, visited Palmdale and located a piece of property suitable for immediate subdivision belonging to one Thornburg [R. pp. 273-275]. Mr. Bloom was a building contractor with offices in Culver City, California. In March, 1954, Mr. Bloom, Mr. Granger and Blanche V. Hudson, wife of the bankrupt, signed and acknowledged Articles of Incorporation of Appellant corporation, Pacific-Palmdale Development Company (hereinafter referred to as PPD Co). The articles had not yet been filed with the Secretary of State when Mr. Granger received from CCC an invitation to bid for a contract to construct grain bins. Mr. Granger at once conferred with the bankrupt and while the latter was in the office of Liff & Kim, architects, in reference to the housing deal at Palmdale, Mr. Hudson learned of one Lloyd R. Reeve as a prospect to finance the grain bin deal. This was about April 3, 1954 [R. pp. 71, 72]. There followed negotiations which speedily resulted in the preparation of a joint venture agreement whereby the Reeve interests would finance and manage the grain bin deal and PPD Co. would make available to Reeve interests the personal services of the bankrupt for one-half the profit [Tr. Ex. 1]. The agreement was prepared by Mr. Granger representing PPD Co. and Mr. Minton, as attorney for the Reeve interests, on April 6, 1954 [R. p. 166]. The agreement was finished late in the day and at once flown by Mr. Reeve to Washington, D. C. [R. pp. 328-329] where the bankrupt was awaiting him. Articles of PPD Co. were filed in Sacramento on the day of the night Mr. Reeve flew to Washington and a certified copy was not yet available to the directors in Santa Monica and Culver City, hence

at the time Mr. Reeve left for Washington, there was no authority set up to sign the agreement nor was it signed by any agent of PPD Co. [R. pp. 328-329]. Mr. Hudson telephoned Mr. Granger and stated that Mr. Reeve desired the agreement executed before a bid was submitted to CCC [R. pp. 331-332]. When there appeared the necessity for executing the agreement at once at Washington, D. C., Mr. Granger commissioned the bankrupt to sign it for PPD Co., with his agency then to end [R. pp. 328-329]. As soon as was reasonably possible this action was approved and adopted into PPD Co. corporate records as shown by Respondents' Exhibit G [R. p. 247].

About April 9, 1954, the bid was filed with CCC following 3 days work at Washington, D. C., by Mr. Reeve and the bankrupt [R. pp. 91-92]. On April 17, 1954, CCC conditionally accepted the bid [R. p. 93]. On April 19, 1954 (date of filing of the petition in bankruptcy herein and adjudication) Reeve, Inc., accepted the conditions of the earlier CCC acceptance, but then had yet to put up a performance bond which was not posted until after April 28, 1954 [R. p. 225]. On April 20, 1954, PPD Co. adopted a resolution to employ the bankrupt on the grain bin deal for a compensation of the first \$50,000.00 of its profit and 50% of all other profit after PPD Co. had received a similar amount [R. p. 250 and Resp. Ex. D]. The bankrupt accepted a written memorandum of the terms of the employment on May 3, 1954, after returning from Sacramento to aid Mr.

Reeve in posting the bond. The joint venture earned a profit of which \$20,000.00 was paid to PPD Co. and by it to the bankrupt. More is yet to be paid at the close of litigation between the joint venturers.

The District Court held PPD Co. to be the *alter ego* of the bankrupt and a means to defraud the estate of profits from the grain bin deal. It held the bankrupt indebted unto his estate for all profit he received from the grain bin deal and substituted the trustee in place of PPD Co. in a state court action against the Reeve interests for an accounting. The bankrupt and PPD Co. prosecute this appeal.

### Specifications of Error.

The Court erred in each of the following respects:

1. Finding of Fact VII [R. pp. 18-20] is not supported by the evidence.
2. Finding of Fact XXIV [R. pp. 24-25] is not supported by and is contrary to the evidence.
3. Finding of Fact XXV [R. pp. 25-26] is contrary to and not supported by the evidence.
4. Finding of Fact XLV [R. p. 31] is contrary to and not supported by the evidence.
5. Finding of Fact XLVI [R. p. 32] is contrary to and not supported by the evidence.
6. Finding of Fact XLVII [R. p. 32] is not supported by the evidence.
7. Finding of Fact XLVIII [R. pp. 32-33] is not supported by and is contrary to the evidence.

8. The Findings of Fact fail to find on any of the facts established by the evidence, which are as follows:

(a) When he filed his Petition in Bankruptcy the bankrupt and his wife and children resided together in California.

(b) The bankrupt's wife never joined in nor consented to any assignment by him of his future earnings.

(c) All sums paid to the bankrupt or to PPD Co. under the joint venture agreement were paid only in consideration of the personal services performed by the bankrupt.

(d) The fund from which any sums were paid, in the grain bin deal, unto appellants did not come into existence until after April 19, 1954.

(e) Services of the bankrupt on the grain bin deal and compensation for same were not reasonably divisible into those proportions of the whole performed or earned before and after April 19, 1954.

(f) The services performed by the bankrupt on the grain bin deal were performed both before and after April 19, 1954, a substantial portion of the whole being required to be performed after April 19, 1954, in order to earn any compensation under the joint venture agreement and employment contract.

9. Each of the Conclusions of Law except V and XII are against the law and the evidence.

10. The Court erred in approving and affirming the Referee's decision of December 6, 1955.

### Summary of Argument.

Appellants believe their argument sustains all the foregoing specifications of error and tends generally to establish the following conclusions as determinative of the appeal.

1. The Appellate Court is not bound by the trial Court's Findings of Fact.

2. Employment of the bankrupt and the fund from which his services were to be paid did not exist actually or potentially on April 19, 1954.

3. Wages may not be assigned when they are to be earned under a contract which is merely possible at the time of the assignment.

4. No inquiry can be made into the question of corporate *alter ego* if no fraud or inequitable position is being shielded thereby.

5. There can be no actionable fraud without damage and creditors cannot be defrauded of that to which they are not entitled.

6. Earnings of the bankrupt in the grain bin deal were subject to his contract as his property and did not belong to his trustee in bankruptcy.

7. PPD Co. was not the corporate *alter ego* of the bankrupt.

8. Assuming PPD Co. to be the corporate *alter ego* of the bankrupt, yet the trustee and creditors are not entitled to the bankrupt's earnings and no fraud was intended or committed or inequitable position created.

## ARGUMENT.

### I.

#### The Appellate Court Is Not Bound by the Trial Court's Findings of Fact.

A. When there is no conflict in the evidence on material issues, an appellate tribunal is in as good position as the trial court to draw inferences from the evidence and is not bound by the trial court's findings.

See:

*In re Jersey Materials Co.*, 50 Fed. Supp. 428,  
53 Am. Bk. Rep. N. S. 359;

*In re Hedgeside Distillery*, 123 Fed. Supp. 933  
942 (I);

*Stewart v. Ganey*, 116 F. 2d 1010, 1013;

*Sheldon v. Waters*, 168 F. 2d 483.

There is no conflict in the evidence which established these determinative facts:

1. PPD Co. articles of incorporation were signed March 9, 1954 [Resp. Ex. I].

2. Said articles of incorporation were forwarded to Sacramento by Mr. Granger on April 3, 1954, and filed with the Secretary of State on April 6 [R. p. 239].

3. When said articles were signed and acknowledged the original invitation from CCC to bid on the grain bin deal had not been received [R. pp. 234-235].

4. Negotiations with Mr. Reeve for financing the grain bin deal did not start until April 2 or 3, 1954 [R. p. 71].

5. The joint venture agreement between PPD Co. and Reeve was formulated April 6, 1954, and executed April 7, 1954 [R. p. 78].

6. Philip Bloom had no interest in the grain bin deal at any time [R. p. 290], but his interest in and activity with PPD Co. continued many months until as late as April 25, 1954 [R. pp. 294, 297 and Resp. Ex. J].

7. The night of the very day said articles were filed at Sacramento, Mr. Reeve flew the unexecuted joint venture agreement back to Washington, D. C., and desired that it be executed before any bid was submitted to CCC. Thereupon, by telephone call, Mr. Granger authorized the bankrupt to sign the agreement for PPD Co., limiting his authority to that act and the return of the contract to PPD Co. [Resp. Ex. G, R. pp. 328-329].

8. PPD Co. as a party was discussed prior to drafting the joint venture agreement [R. 76]. In early April Mr. Bloom was interested in getting into the grain bin deal [R. pp. 290, 291].

9. Mr. Granger's only legal opinion to the bankrupt regarding his financial affairs was to tell the bankrupt that if he planned to save from substantial earnings the funds with which to re-establish himself in business, he should know that such savings were subject to the demands of his creditors unless they released him or he obtained a discharge in bankruptcy [R. p. 267].

10. Mr. Granger had represented Mr. Hudson in two law suits [R. pp. 232-233] and did not represent him in the assignment for creditors.

11. Mr. Granger initiated and developed the grain bin deal and the Palmdale construction deal on his own

initiative for the purpose of capitalizing on the bankrupt's talent for mass construction production [R. pp. 233-237].

12. The bankrupt performed 4 days work at Washington, D. C., prior to his bankruptcy adjudication on April 19, 1954, in procuring a CCC contract for the joint venture [R. pp. 104-105].

13. The bankrupt performed substantial service in performance of the CCC contract for bins and such service continued for more than one year following the filing of his bankruptcy petition and adjudication. Such work was necessary to the creation of the fund from which the joint venture was to derive its profit [Tr. Ex. 1; R. p. 94].

14. Neither the joint venture agreement nor the employment agreement between PPD Co. and the bankrupt divides either the bankrupt's services or compensation for his services into proportions of the whole which were performed or earned before and after his adjudication.

15. The employment agreement between PPD Co. and the bankrupt was made after his adjudication [Resp. Ex. D].

16. At the time of his adjudication, the bankrupt lived in California with his wife and children [R. pp. 196, 203].

17. The bankrupt's wife never consented to any assignment of his earnings [R. p. 206].

18. Though the Reeve bid for a grain bin contract was accepted on April 19, 1954 (date of adjudication), Reeve did not deposit his performance bond with CCC until after April 28, 1954 [R. pp. 5, 6, 107, 225].



B. Current Findings of Fact by the Referee and District Judge will not be accepted on appeal when a mistake has been clearly shown.

See:

*In re Ernst*, 107 F. 2d 760;

*In re Hoffman*, 82 F. 2d 58, 60;

*Kauffman & Brown etc. v. Long*, 182 F. 2d 594  
(9th Cir.).

When such a mistake is shown, the appellate court's review may be as extensive as that of the District Judge.

See:

*Morris Plan etc. v. Henderson*, 131 F. 2d 975.

As will be shown later in this argument, the learned Referee gave no recognition whatever to rules of law which should be controlling and mistakenly emphasized an issue as paramount which would have been no issue at all had such rules of law been acknowledged.

## II.

**Employment of the Bankrupt and the Fund From Which His Services Were To Be Paid Did Not Exist Actually or Potentially on April 19, 1954.**

A. Employment of the bankrupt, though contemplated, did not actually exist until at least April 20, 1954, when PPD Co. adopted its resolution employing the bankrupt, though he did not accept formally until May 3, 1954, when he returned to Los Angeles from Sacramento, because of Reeve's difficulty in obtaining a performance bond [Resp. Ex. D].

B. The joint venture agreement [Tr. Ex. 1] was executed April 7, 1954 [R. p. 78]. By its very terms it was

limited to the 1954 bin program of CCC and had Mr. Reeve not been awarded a CCC contract the joint venture agreement would have had no subject matter upon which to operate. Hence, until the CCC contract was awarded Mr. Reeve for 1954 the condition upon which he could utilize the bankrupt's services could not arise, except to prepare and submit a bid, and under such circumstances there was no possibility of such services ever being compensated. It appears that the terms of such agreement were determined on April 19, 1954, between CCC and Mr. Reeve by the latter's telegram accepting CCC's earlier conditional acceptance of the original Reeve bid [R. p. 15]. However, Mr. Reeve had yet to deposit a performance bond with CCC. It was not deposited until after April 28, 1954 [R. p. 225]. The simple result of this was that no contract existed between CCC and Reeve until the bond was deposited.

See:

Restatement of Law of Contracts, p. 45, Sec. 38(a), and p. 66, Sec. 60; also

*Flynn v. Dougherty*, 3 Cal. Unrep. 412, 26 Pac. 831, 832.

The deposit of a performance bond, though subsequent in form, is precedent in effect and no contract existed between CCC and Reeve until it was deposited.

See:

Williston on Contracts, Rev. Ed., Vol. 3, p. 1917, Sec. 667-A.

If on the date the bankrupt filed his petition and was adjudicated, there was only the possibility that he might engage in future work, certainly those services would have to be performed and their compensation earned after adjudication and the earnings would belong to the bankrupt. Under such circumstances the bankrupt's position is similar to that of a man who is hired by the month and files for bankruptcy and is adjudicated in mid-month. The law gives such a man his salary earned after the filing and adjudication, as will be seen under Point VI of this argument.

### III.

#### **Wages May Not Be Assigned When They Are To Be Earned Under a Contract Which Is Merely Possible at the Time of the Assignment.**

The Reeve contract with CCC did not exist on April 19, 1954, and on that day was a mere possibility because Reeve's performance bond was not filed until after April 28, 1954. The mere possibility of wages is not subject to assignment and the filing of the petition in bankruptcy could not imply assignment of earnings under a merely possible contract, such wages not even having a potentiality until 10 days after the filing.

See:

*Walker v. Rich*, 79 Cal. App. 139, 249 Pac. 56.

IV.

No Inquiry Can Be Made Into the Question of Corporate Alter Ego if No Fraud or Inequitable Position Is Being Shielded Thereby.

The learned Referee was under the impression that the question of whether PPD Co. was the corporate *alter ego* of the bankrupt was the paramount issue in the case and expressly declared this opinion [R. p. 90]. From the premise of that opinion, the Referee advanced to the conclusion that if it were his *alter ego*, "it is one and indivisible, it does not make any difference whether he did or did not perform or devote himself to the joint enterprise." Such reasoning appears entirely fallacious and gives no recognition whatever to the rule that the propriety of a corporate *alter ego* cannot be questioned except to avoid a fraud or inequitable advantage which arises from the double relationship. It is common and essentially honest practice for a man to channel his personal efforts through the medium of a corporation. It is not sound to argue that a man using a corporate *alter ego* is, *ergo*, guilty of fraud because it is not enough to show that the corporation is the mere instrumentality of the individual.

See:

12 Cal. Jur. 2d, p. 604, Art. 8, and cases cited.

It must appear that to recognize separate entities would aid the consummation of a wrong.

See:

*Minifie v. Rowley*, 187 Cal. 481, approved in  
*Wenbau v. Hewlett*, 193 Cal. 675, 697;

*Jackson v. American Bearing*, 89 Cal. App. 2d  
256, 200 P. 2d 836;

*Marr v. Postal Union Life Ins. Co.*, 40 Cal. App.  
2d 673, 105 P. 2d 649.

It was necessary to determine that a fraud or inequitable advantage was created and being protected by the corporate structure before inquiry could be made into the question of the propriety of the corporate *alter ego*. This the learned Referee did not do. He regarded that question as of first importance and held that its creation was fraudulent, a finding wholly without support in the evidence as will be seen under Point VII of this argument. The Referee should have first determined whether a fraud had been committed and then made inquiry into the question of corporate *alter ego* after fraud was discovered.

See:

*Chiarello v. Axelson*, 25 Cal. App. 2d 157, 70 P.  
2d 731;

*Stanford Hotel Co. v. Scwind*, 180 Cal. 348, 181  
Pac. 780;

*Erkenbrecker v. Grant*, 187 Cal. 7, 200 Pac. 641;

*Walter Co. v. Zuckerman*, 214 Cal. 418, 6 P.  
2d 251.

For the moment, let us reason, in part, as the Referee has reasoned, and hold that PPD Co. was the *alter ego*

of the bankrupt. This would first result in a determination that the joint venture agreement was really between Mr. Reeve and the bankrupt with the effect that, at the time of his adjudication, the bankrupt had an employment contract with Mr. Reeve under which he had done 4 days work in procurement of a CCC contract. Such CCC contract was but a potential because Mr. Reeve had yet to deposit his performance bond which he did more than 10 days after the adjudication. By the posting of the bond, and not until then, did there come into existence a subject matter for the parties to work on under their joint venture agreement, and from which pay for the services might come. As will be seen under Point VI of this argument, such pay for the services was the property of the bankrupt and not that of his estate or trustee. There is no fraud to date. Now assume that the bankrupt sees fit to divide his earnings with his wife, his son and his attorney. Still no fraud is committed, nor intended. If he seeks to effect that division through the medium of a corporation, there is still no fraud. The learned Referee reaches the fraud only by mistakenly giving prime importance to the question of corporate *alter ego* as the Referee himself declares. The close relationship between the bankrupt and PPD Co. the Referee deemed of a fraudulent character and because of it ruled that all earnings of the bankrupt for more than one year after his adjudication were the property of his bankrupt estate. An appellate court has somewhat aptly characterized a decision of such nature

as subjecting the bankrupt to an "involuntary servitude" for his creditors. The Referee, once sparked on the question of fraud, found fraud throughout transactions where there was no suggestion of fraud.

The bankruptcy act is a benevolent statute. It contemplates that an honest debtor may, under its influence, rehabilitate himself financially. It is impossible for such debtor to file under the act without in some measure contemplating his own rehabilitation and in some detail planning for personal and profitable activity after his adjudication. If such planning ripens into an asset prior to his filing, that asset belongs to his creditors, unless exempt, but if the planning and even some effort does not become an asset, neither the creditors, the trustee nor the Referee should seek to accelerate a mere potential into an assumed reality and thus prevent the rehabilitation the Act would afford. Surely a beneficent statute does not lose its beneficence merely because one planning his enjoyment of it finds that his plans have not borne fruit at the time he claims its benefits. It would seem that a bankrupt's plans for the future belong but to him, so long as he surrenders his existing assets to his creditors.

When the learned Referee emphasized the question of corporate *alter ego* as of first importance in the case he was under a mistaken concept of the law, and this is one reason why, as contended under I-B of this argument, the Appellate Court is not bound by the Findings of Fact.

V.

**There Can Be No Actionable Fraud Without Damage  
and Creditors Cannot Be Defrauded of That to  
Which They Are Not Entitled.**

As will appear later in this argument, the earnings of the bankrupt under the grain bin deal belonged to him. In that they were his property they could not constitute a part of his bankrupt estate. To exclude from such estate that to which the creditors are not entitled is not a wrong to the estate or to the creditors. While the bankrupt intended no fraud upon his creditors, even had he intended such by an association with PPD Co., yet the creditors sustain no damage in being deprived of that to which they are not entitled. To be actionable, a fraud must be accompanied with damage.

See:

*Gonsalves v. Hodgson*, 38 Cal. 2d 91, 237 P. 2d 656;

*Gerini v. Pac. Employ. Ins. Co.*, 27 Cal. App. 2d 52, 55(3), 80 P. 2d 499;

*Tsang v. Kan*, 78 Cal. App. 2d 275, 177 P. 2d 630;

*United States v. North Pac. Ry. Co.*, 188 F. 2d 277;

*Ward v. Deavers*, 203 F. 2d 72;

*Dabney v. Levy*, 191 F. 2d 201.

There being no damage or actionable fraud, the question of corporate *alter ego* was wholly immaterial.



VI.

**The Earnings of the Bankrupt in the Grain Bin Deal  
Were Subject to His Contract as His Property  
and Did Not Belong to His Trustee in Bank-  
ruptcy.**

A. As seen under Point III of this argument, at the time of his adjudication the bankrupt's prospect of activity under the joint venture agreement was but a possibility, until there existed a contract between CCC and Reeve and the performance bond had been deposited. Also, PPD Co. had no reason yet for defining its agreement with the bankrupt and did not do so until its offer of the next day which the bankrupt accepted on May 3, 1954. Future earnings under a contract which is non-existent are non-assignable.

See:

*Orkow v. Orkow*, 133 Cal. App. 50;

*Cox v. Hughes*, 10 Cal. App. 553;

Williston on Contracts, Vol. 2, pp. 1183-1184.

B. On April 19, 1954, the bankrupt was a married man residing with his wife in the State of California [R. pp. 196, 203]. His wife did not consent in writing to any assignment of his future earnings [R. p. 206].

Section 300 of the California Labor Code provides that the assignment of future wages of a married man is not valid unless consented to in writing by his wife. This section of the Labor Code receives a very liberal interpretation by the Courts and the terms "wages," "fees," "salary" and "compensation" are synonymous.

In *Reynolds v. Reynolds*, 14 Cal. App. 2d 481, 58 P. 2d 660, the Court said:

“Be that as it may, a fee is compensation and compensation is salary.”

Quoting from *Kirkwood v. Soto*, 87 Cal. 394, the Court further said:

“The words ‘compensation’ and ‘salary’ were evidently used synonymously in the Constitution and the County Government Act. . . . ‘Wages’ and ‘salary’ as here employed are comprehensive terms and must be interpreted in their broader sense to mean compensation for services, whether such compensation is limited to a fixed sum of money or is payable in fees.”

In *United States v. Gerdel*, 103 Fed. Supp. 635, 638, it is stated:

“California decisions hold that the modern statutory usage of the word ‘salary’ is intended to embrace all forms of compensation.”

C. This point in the argument impresses appellants as involving the most determinative of the various phases of this case. Let us state the rule of law for which appellants contend: If, under an existing and continuing contract, a bankrupt performs a service prior to his filing a petition in bankruptcy, and also under that contract must and does perform substantial service after such filing and his adjudication in order to make any compensation whatever payable, and the services and their compensation are not reasonably divisible into the proportions of the whole of either which were performed or earned before and after the filing and adjudication, the

entire of such compensation belongs to the bankrupt and none to his trustee.

This very Circuit Court (Ninth Circuit) has approved and adopted the rule in *Miller v. Wooley*, 141 F. 2d 837, 839, by citing and following the rule which was so clearly announced at some length in the case *In re Leibowitt*, 93 F. 2d 333, 115 A. L. R. 623, from the Third Circuit and in which the United States Supreme Court denied a writ of certiorari. In the cited case the bankrupt was an insurance agent who had a continuing contract with the insurance company. Prior to his adjudication he had written policies and had yet to perform substantial services on those policies before a salary and commissions accruing after adjudication became payable. Reference was made by the Court to Bankruptcy Act 47(a) and 70(a-5), as amended, and 11 U. S. C. A. 75, 110, and it held that the bankrupt was entitled to sums earned prior to adjudication in that they were not severable from earnings for services after adjudication.

*In re Seiffert*, 18 F. 2d 444, involved circumstances which are in many respects similar to those in the case at bar. The contract was a continuing one, existing long before bankruptcy, under which some work had been done before bankruptcy and more work yet to be done after adjudication in order to create the fund from which any compensation was to become payable (if the bankrupt did not elect to take a monthly salary of \$40.00 as he had the right to do—an option which did not exist in the case at bar). On November 1, 1923, the bankrupt had made an agreement to manage a farm for two years and at his option could receive \$40.00 per month or  $\frac{2}{3}$  of the grain and seed crops produced,

his option to be exercised not later than 10 days after threshing time. He filed his bankruptcy petition on April 10, 1924, and was adjudicated 2 days later. He did not schedule the contract. In the fall of 1924, 5,500 bushels of wheat were harvested and he elected to take his percentage of the grain. It was held that the contract had not been performed at the time of filing the petition and adjudication and no recovery could have been made upon it and charges against the bankrupt were not sustained.

The rule was recognized in the 7th Circuit in the case of *In re Thomas*, 204 F. 2d 788. The bankrupt was adjudicated July 31, 1936. It was claimed that he concealed fees earned as a State court trustee but not yet paid when he filed his petition. On August 18, 1939, he was allowed \$3,500.00 fee by the State court. This fee covered almost one year prior to adjudication and three years subsequent thereto. The Referee found that portion of the fee earned prior to bankruptcy passed to the trustee. The appellate court held that as there was no way to determine what was due when the petition was filed, the Referee's division was speculative and uncertain and therefore erroneous.

The rule was announced from the 2nd Circuit in *Lockhart v. Mittleman*, 123 F. 2d 703. The bankrupt filed his petition September 1, 1939, and was at once adjudicated. Since 1935 he had acted as a State court trustee. The trustees usually filed their account every six months and the bankrupt had always been granted an allowance of \$8,000.00 on an account for such period. The allowance for the term ending June 30, 1938, had been made and paid prior to September 1, 1939. On May 4, 1939, several months before the filing of the

bankruptcy petition, the trustees filed their account for the period ending December 31, 1938, but no allowance was made thereon until September 5, 1939, 4 days after the filing of the bankruptcy petition. The Referee held the sum transferable and that it should have been scheduled but on appeal the court said: "The dividing line is whether the compensation has been so far 'earned' that the officer's (bankrupt's) conduct thereafter is not a factor in determining the amount." It was held that the asset was not required to be scheduled. In the case at bar, Mr. Hudson's services after his adjudication were required to earn and produce the fund from which he was to be paid and were also necessary to determine the amount of his pay.

*In re Coleman*, 87 F. 2d 753, involved the bankruptcy of an attorney. He had been engaged under a contingency fee arrangement to prosecute a suit for damages which he filed before filing his petition in bankruptcy. It was held that his fees did not pass to the bankruptcy trustee as the bankrupt had no rights until his services were performed and a fund existed. In the case at bar, Mr. Hudson could receive no pay for "procurement" of the CCC contract (his services rendered prior to his bankruptcy and adjudication) because under the CCC contract no money would be owing until "performance." He was adjudicated April 19, 1954, the performance bond with CCC was not deposited until after April 28, 1954, and all "performance" was after his adjudication. The joint venture had no rights until after performance and no fund for compensation existed until after such performance.

In *Mersfelder v. Peters Cartridge*, 130 Ohio C. C. N. S. 220, it was held that an incomplete contract for

personal services afforded no asset for the bankruptcy estate of the person who was to perform them.

The foregoing citations declare for the principle that an honest bankrupt shall not be required to labor throughout the future in a sort of involuntary servitude for his creditors, yet that is exactly what the District Court decision would require of Mr. Hudson.

Counsel for the trustee are learned in the law and skilled in the procedure of the bankruptcy practice in which they have, for over 25 years, specialized with a probably more intensive activity than any law firm in California. In preparation of the petition which initiated this proceeding [R. pp. 3-9] they must have had a ready familiarity with the rule of law above set forth. They also knew the facts, including the year of service which the bankrupt gave to performance of the contract AFTER his adjudication. As astute lawyers, they knew, too, the difficulty to be experienced in recovering under the petition they were to prepare. Therefore, they declared expressly upon an ORAL contract between Reeve and the bankrupt involving merely PROCUREMENT of a CCC contract [R. p. 3, par. II], though, not to weaken their case, they also declared upon the written agreement [R. p. 4, par. V, and Tr. Ex. 1]. They declared upon "procurement" separately because they knew that all effort at procurement had been completed prior to adjudication.

The evidence failed wholly to establish the oral contract. The trustee's only witness on the matter, Mr. Reeve, testified that it was not intended to operate under an oral joint venture agreement and that it was intended that their activities were to be covered by a written contract [R. pp. 141-142; Tr. Ex. 1].

Under the rule set out in Section 1625, Civil Code of California, all oral preliminary negotiations are deemed merged into the later writing. Trustee's counsel eventually abandoned the theory of trying to establish a separate oral contract of the bankrupt to cover only the "procurement" nature of his service [R. pp. 124-127].

The rule of law first set out in this division of appellants' argument is the premise for much of their defense in this action because the joint venture agreement and the bankrupt's employment contract were continuing contracts, his services, personally performed, were their subject matter and necessary to the creation of a fund which did not then exist but from which payment for services must be made, the fund coming into existence and the large part of the services being performed after his adjudication. Such documents did not contemplate any determinable division of the services or their compensation into any proportions of the whole of each which were to be performed or earned before and after the adjudication date.

The trustee's learned counsel gave clear evidence of agreeing with appellants upon this rule of law for which they contend and, more importantly, its application to the facts of this case. Firstly: the trustee sought to have witness Reeve divide the bankrupt's services in "procurement" and "performance" into their percentages of the entire service [R. pp. 84-90]. Trustee's counsel knew how important and vital it was to his case to make this division when he said: "It is highly relevant to the determination by the Court as to what percentage was procurement" [R. p. 85]. Then again, on the page of the record last above cited, trustee's counsel further stated: "At least, that portion of the contract that was fully

performed and the amount due for procurement of the contracts was an asset of this estate.” Secondly: on the same page of the record, the application of the rule to this case is admitted by the trustee when his counsel states: “As to performance after this contract, this estate has no interest.”

It is unmistakable that the trustee, at this point of the record has declared his position to be that “procurement” was a service rendered prior to bankruptcy and that all compensation for such procurement belonged to the estate, and that the estate was *not entitled to any more* (italics by appellants). Also, at this point in the record it is unmistakable that the trustee claims the compensation for the services were divisible and that a portion of the whole could be assigned by the Referee to the service of mere “procurement.” It is as equally unmistakable that the appellants were contending that a division of the whole compensation could not be made. The differences between the parties at this stage of the record could be summed up as follows: The trustee contends for divisibility of service and compensation, *rejecting* all of each which might be allocated to the period *after* adjudication, and the appellants contending no suggested division could be made.

It is interesting to note that the Referee’s decision rejected the claims of both sides and held that *all* compensation for *all* service, without any division and without recognition of time of performance, belonged to the trustee. In reaching his conclusion, the learned Referee labored under a mistaken concept of the law which appellants have heretofore assigned as another reason why this Circuit Court is not bound by the findings of fact.



The trial record is notably wanting in any authorities cited by either party in support of their contentions on this issue. At the close of the case, when trustee's counsel arose to deliver the opening argument which would normally include and be followed by the authorities upon which the parties relied, the Referee waived aside the argument and proceeded with his statement of his decision. Had such authorities been acceptable, they might have served to acquaint the learned Referee with the rule of law which the parties acknowledged, but which, as will appear from the following excerpts of the record, was not clear in the thought of the learned Referee.

At a time when the parties' counsel were contending over the question of percentages of the service, the Referee stated: "the paramount issue here is whether or not in fact this corporation Palmdale Pacific Development Company, was not in fact the *alter ego* of the bankrupt. In other words, if the corporation was his *alter ego* and it is one and indivisible, *it does not make any difference whether he did or did not perform or devote himself to the joint enterprise* [italics added; R. p. 90]. Witness Reeve testified he could not make the division counsel sought [R. p. 94]. Later in the record, trustee's counsel again sought to adduce evidence of the divisibility of the services [R. pp. 123-124]. He made a further explanation, seeking to show the importance of dividing the Hudson effort into percentages given for procurement, when the learned Referee, wholly mistaking the object of counsel's effort, and confusing the attempted division with a possible comparison of time spent by Reeve and Hudson, stated: "Now what difference does it make how much percentage of each man was devoted to procurement and how much to production? The Court does

not understand what you are getting at . . .” [R. p. 126]. Earlier, after trustee’s counsel had rather fully and carefully explained the object and aim of his questioning, the learned Referee stated: “The Court is a little uncertain by what you mean by your explanation in view of the testimony of this witness that he and Mr. Hudson and others journeyed to Washington, stayed at the Statler Hotel there and used their joint endeavors to procure the contract” [R. p. 125]. Appellants respectfully urge that the learned Referee’s own words establish his mistaken concept of the law when, after a clear statement by trustee’s counsel of what he intended to prove by asking Mr. Reeve the question: “Mr. Reeve, in the services to be performed by Mr. Hudson as furnished to Lloyd R. Reeve, Inc., under this contract of April 7, 1954, to the best of your ability, can you estimate what portion of the services of Mr. Hudson were performed in procuring contracts and what percentage of the services were performed in the performance of the contracts after procurement?” [R. p. 124] the Referee inquired: “Now what are you trying to prove by your last question?” [R. p. 125].

Not perceiving the real issue of the cause as it occurred to and was presented by counsel for both parties, but emphasizing that the primary issue was that of the corporate *alter ego* he thought he saw in PPD Co., the learned Referee proceeded to a decision which made no division whatever of either the bankrupt’s services or the compensation for them and awarded the entire compensation to the trustee, though only four days of time prior to adjudication had been spent in “procurement” and over one year after adjudication was spent in “performance” which made that compensation possible.

VII.

**PPD Co. Was Not the Corporate Alter Ego of the Bankrupt.**

In Finding of Fact VII the learned Referee holds that on April 3, 1954, when Articles of Incorporation of PPD Co. were filed in the office of the Secretary of State of California, it did not contemplate the transaction of any business save and except the joint venture deal between the bankrupt and Reeve, Inc., relating to the grain bin deal. Such is not a fair inference from the evidence and yet must have been of prime consideration in the Referee's finding of fraud.

As between inferences equally reasonable and equally susceptible of being drawn from proven facts, it is the duty of the trial court or jury to draw that inference which is favorable to fair dealing.

See:

*Ryder v. Bamberger*, 172 Cal. 791, 158 Pac. 753;  
*United States v. California Midway Oil Co.*, 259  
Fed. 343.

Let us consider some of the proven facts from which the Referee had to draw the inference in Finding of Fact VII which we have above referred to.

The grain bin deal was discussed for the first time by Hudson and Reeve on April 3, 1954 [R. p. 71]. Negotiations had not ripened into a deal as late as April 5, 1954 [R. p. 75]. In such negotiations, Mr. Reeve had been told that Mr. Bloom was a part of PPD Co. [R. p. 77] but that there was a plan to take Mr. Bloom out of PPD Co. because of his interest in building at Palmdale. Mr. Bloom testified he was in dozens of meetings with

reference to the Palmdale building program [R. p. 273] and a corporate structure was desired in connection with it [R. p. 274] and Mr. Bloom was in favor of PPD Co. as such corporation [R. p. 285]. His activity in affairs planned for the corporation had commenced as early as January, 1954 [R. p. 275] and continued until at least April 25, 1954. In the early references to a grain bin deal, at a time not definitely determined, Mr. Bloom was interested to get into the grain bin deal [R. p. 291], but what form of organization might finally define his interests was not clear to him because of the "fluid" nature of developments which somewhat depended on the attitude of Mr. Thornburg who owned the land and might finance the deal at Palmdale [R. pp. 282, 283, 296]. As Mr. Bloom enthused about the Palmdale deal, he lost interest in the grain bin deal and finally divorced himself from it [R. p. 291].

From these proven facts Mr. Bloom's interest must be accepted (a) as being so substantial as to preclude a finding that PPD Co. was originated as a corporate *alter ego* of the bankrupt and (b) as existing prior to the signing of the corporation's articles in March, 1954. In view of the period during which the independent Bloom interest existed, the Referee could not fairly infer that on April 3, 1954, PPD Co. contemplated no business but the grain bin deal as stated in Finding of Fact VII.

In this connection, appellants would discuss the fact that the joint venture agreement allowed the possible assignment of it to Mr. Hudson. From this the Referee must have inferred fraud [Finding of Fact XIX, R. p. 23]. Such provision, when understood, is entirely consistent with the innocence of the bankrupt and his attor-

ney of any fraud. The grain bin deal developed with rare rapidity. Within 3 or 4 days after the bankrupt and Mr. Reeve first talked of it, they were in Washington, D. C., preparing a bid to CCC, the joint venture agreement having been drawn and executed. Contributing to this speed of unfoldment, Mr. Granger met with Mr. Minton and drew the joint venture agreement on April 6, 1954, when Mr. Granger did not know positively that PPD Co. was a corporation. However, as he had cleared the corporate name with the State at an earlier date [R. pp. 253, 254] and the articles were in conventional form he expected there would be no delay and that on that day PPD Co. existed as a corporation though he would not have had a report on it as yet from Sacramento. Deciding, somewhat upon the spur of the moment, to use that corporate charter on the grain bin deal, Mr. Granger was faced with the fact that Mr. Bloom *might* have no interest in the grain bin deal, though all Mr. Bloom's prior activity on the Palmdale deal might develop into a substantial building program for PPD Co. in which Mr. Bloom *would* have a substantial interest. It seemed proper that a provision should be put in the joint venture agreement which would allow for the divorcement of the Bloom interest in Palmdale construction from the grain bin deal in which he might have no interest. Without knowing what the future held as to time and terms of such divorcement, Mr. Granger hastily provided the assignment clause as a vehicle for divorcement. It was never used as Mr. Bloom withdrew to set up his interest in a Thornburg corporation [R. pp. 283, 296].

It is not sound to reason that when as late as April 25, 1954, Mr. Bloom decided to channel his interest in the Palmdale deal otherwise than through PPD Co. and

withdrew from such corporation, thereupon PPD Co. became the *alter ego* of the bankrupt with the retroactive effect of having been conceived in fraud. Surely a corporate structure, fairly evolved, cannot be deemed fraudulent from the start merely because one man, for fair business reasons that evolved slowly, retired from such corporation.

Proof of actual fraud is necessary to establish a transfer to hinder, delay and defraud creditors.

See:

*Faulkner v. Magri*, 90 F. 2d 808, 810.

#### VIII.

**Assuming PPD Co. To Be the Corporate Alter Ego of the Bankrupt, Yet the Trustee and Creditors Are Not Entitled to the Bankrupt's Earnings and No Fraud Was Intended or Committed or Inequitable Position Created.**

The conduct of the bankrupt or his attorney was not that of a man who was about to commit or in the course of perpetrating a fraud. They willingly testified to all facts with reference to planning and organizing PPD Co. After filing the petition in bankruptcy, they so informed Mr. Reeve [R. p. 116]. Mr. Granger's advice to Mr. Hudson about getting a release from his creditors or a discharge in bankruptcy was perfectly natural and proper advice under the circumstances. Mr. Bloom fully understood that Mr. Granger had initiated both the Palmdale and grain bin deals for his own business gain [R. pp. 273, 274, 278, 294]. There was never any attempt to conceal the fact that Mr. Hudson was to receive a compensation for his services from PPD Co. Indeed, the record in this case shows about \$100,000 total profit

from the grain bin deal by the joint venture [R. p. 95]. One-half of this profit, which would be less than \$50,000 was to be paid unto PPD Co. which, without any deductions for any salaries for its officers or other purpose, was obliged to pay the full receipts up to \$50,000 to the bankrupt. Any real effort at fraud would have involved an effort to appropriate otherwise than expressly to the bankrupt the *first* substantial funds which might otherwise have gone directly to the bankrupt. The profit up to the full amount of this \$50,000 was as much subject to the demands of Hudson's creditors in the hands of PPD Co. as it would have been in the hands of Reeve had Hudson dealt directly with Reeve and there were no PPD Co. Even under the fanciful theory of corporate *alter ego*, the first \$50,000 was at all times vulnerable to creditors' attack as fully as if it had been owing by Reeve to Hudson, so, again we have no damage to creditors in relation to the profit made and it is idle to look for fraud up to that point.

Again, that Mr. Hudson executed the joint venture agreement at Washington, D. C., on behalf of the corporation is not a badge of fraud. Mr. Reeve wanted a joint venture contract before the CCC bid was filed, because he wanted the Hudson experience in bin building available to him before he contracted for a job on which Mr. Reeve himself was inexperienced. The contract had been flown to Washington, D. C., before corporate papers had been returned from Sacramento to Santa Monica, and before its agents had a chance to sign it. Hudson's only authority was to sign the agreement and return it to PPD Co. Such mechanics were reasonable under the circumstances presented by the speed of the deal. The substantial sum of \$50,000 was avail-

able to Hudson creditors before PPD Co. was to get a thing for its own officers and owners. Surely this was fair dealing as far as those creditors are concerned. Prior to bankruptcy Mr. Hudson had made an assignment for the benefit of his creditors in which his creditors were so well informed that (a) not one saw fit to examine him on a \$500,000 loss at the first meeting of his creditors [R. p. 347] and (b) not one filed any specification in opposition to his discharge.

It is respectfully urged that the bankrupt was free of fraud and also free to contract with reference to future personal earnings and because of these facts and a complete absence of any inequitable treatment of creditors, the creditors and the trustee have no right to any compensation for the bankrupt's services incident to the grain bin deal.

Respectfully submitted,

MERRILL L. GRANGER,

*Attorney for Appellants.*



No. 15110.

IN THE

# United States Court of Appeals

FOR THE NINTH CIRCUIT

---

JOHN LUCAS HUDSON, SR., and PACIFIC-PALMDALE DEVELOPMENT COMPANY, a corporation,

*Appellants.*

*vs.*

WILLIAM A. WYLIE, as Trustee in Bankruptcy of the Estate of John Lucas Hudson, Sr., a bankrupt,

*Appellee.*

---

## APPELLEE'S BRIEF.

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FILED

AUG 30 1956

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*Appellee.*

---

## APPELLEE'S BRIEF.

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### Jurisdictional Statement.

Examination of the transcript of the record on appeal, the index thereof on pages I, II and III and the designation of record to be printed on appeal of the appellant dated April 23, 1956 and set forth on page 366 of the Transcript of Record on Appeal will disclose that neither the Designation of the Record to be Printed on Appeal nor the Transcript of the Record on Appeal contain any evidence as to the Petition in Bankruptcy, any Order of Adjudication, or any Order referring the matter to a Referee in Bankruptcy. It is therefore respectfully submitted that the Record on Appeal is devoid of evidence upon which this Court may base its jurisdiction, and the Court should rule that it does not have jurisdiction to hear this appeal based on the record before it.

### Statement of the Case.

Late in 1952 or early in 1953 the bankrupt made an assignment for benefit of creditors and was unsuccessful in obtaining a release from his creditors [Tr. p. 205], and at the time of the contract with the Commodity Credit Corporation hereinafter referred to, the said assignment for benefit of creditors was still in force and effect [Tr. pp. 205, 206, 207].

In the summer of 1953 Mr. Merrill L. Granger, the bankrupt's attorney throughout this proceeding in all matters referred to herein, prepared a document which was executed by the bankrupt and his wife, the effect of which was to give the wife all of her earnings as her sole and separate property, the purpose of the said agreement being to enable the bankrupt to get started in business again without creditors of the bankrupt being able to attack his earnings. [Tr. pp. 232, 233 and Ex. "C" in the proceedings before the Referee]. At this time Mr. Merrill L. Granger, the attorney for the bankrupt, was familiar with the law relating to bankruptcies and had specialized at a prior date in assignments for benefit of creditors and creditors' rights law, [Tr. pp. 315 to 316], and at all times herein mentioned the said Merrill L. Granger had knowledge of the aforementioned assignment for benefit of creditors, and that the same was without a release of creditors. [Tr. pp. 316-319].

At all times herein mentioned the said Merrill L. Granger had no special knowledge or skill as regards the construction or erection of grain bins [Tr. p. 326], and the bankrupt had personal knowledge and skill regarding the submission of bids for grain bins and the construction thereof. [Tr. pp. 72-74]. On numerous



occasions during the period between the summer of 1954 and the date of bankruptcy, the bankrupt was advised by Mr. Granger that if he accumulated substantial earnings without a release from his creditors the accumulation would be subject to the creditors' demands [Tr. p. 267]; that he should not commit his services [Tr. p. 197], and that he should not be an officer of a corporation [Tr. p. 208]. Bankruptcy was contemplated and advice given to the bankrupt by Mr. Granger long prior to the transactions which were the subject of the action which gave rise to this appeal. [See Tr. pp. 299; Tr. p. 293; Tr. of Record p. 277; Tr. of Record p. 267], and at the time of the formation of Pacific Palmdale Development Company hereinafter discussed, the bankrupt and Mr. Granger were discussing the filing of bankruptcy proceedings. [Tr. of Record, p. 256].

In March of 1954 Philip Bloom, the bankrupt's wife and Merrill L. Granger, attorney for the bankrupt, signed Articles of Incorporation of the corporation ultimately incorporated on April 6, 1954, and the Articles of Incorporation were not forwarded to the Secretary of State of the State of California until on or about April 3, 1954.

At the time of the signing of the Articles of Incorporation the signatures thereto were not properly notarized and the notary was not present during the signing of the Articles by Philip Bloom [Tr. of Record, p. 301]. Mr. Bloom was informed that the Articles of Incorporation would be filed immediately after the signing of the Articles of Incorporation, notified the other incorporators that he wished to withdraw and that he would assert no interest in and to the Pacific Palmdale Development Company [Tr. of Record, p. 357; Tr. of Record, p. 283; Tr. of Record, p. 284; Tr. of Record, p. 289]. Mr. Bloom at

no time had any interest in any grain bin transaction, [Tr. of Record, p. 290], and the only transaction he had any interest in was completely abortive [Tr. of Record, p. 306].

Pacific Palmdale Development Company did not issue any stock [Tr. of Record, p. 221] and had no capital [Tr. of Record, pp. 324 and 330]; did not keep any ledgers or accounts, and had no capital structure or financial transactions beyond its mere incorporation. [Tr. of Record p. 324]. Allegedly, the bankrupt's attorney was to have a 12 per cent interest in the corporation; the wife of the bankrupt a 44 per cent interest, and the son of the bankrupt, William Hudson, a 44 per cent interest.

The wife of the bankrupt was a housewife, with five children, who had never been in business for herself and had no training in any commercial proceedings. [Tr. of Record, p. 203]; she held nothing other than property which was the result of the earnings of the bankrupt, and contributed nothing to the corporation other than nominal incorporation costs. [Tr. of Record, p. 204].

At the time of incorporation the son of the bankrupt, William Hudson, resided at Portland, Oregon with his family; was twenty-seven years of age; was to contribute nothing to the corporation other than his labor as a superintendent in the fabrication of the bins, and was paid a salary for his services as such superintendent. [Tr. of Record, pp. 220 and 221].

On or about April 2 or April 3, 1954 the bankrupt contacted Lloyd R. Reeve, informing him that he wanted to find someone to go in with him on a grain bin deal, making no mention of a corporation. It was proposed that Mr. Reeve finance the submission of bids to the

Commodity Credit Corporation and the manufacturing and erection of bins. [Tr. of Record, pp. 72 to 74].

On April 3 or April 4, 1954 a firm understanding was reached between the bankrupt individually and Lloyd R. Reeve that Mr. Reeve would finance the project and that after expenses of the deal were determined each was to take half of the profits, and it was only on April 5 or April 6, 1954 that any discussion was had regarding the Pacific Palmdale Development Company. [Tr. of Record, p. 76], and the bankrupt represented at that time that he was the Pacific Palmdale Development Company [Tr. of Record, p. 77].

On numerous occasions the bankrupt represented to Mr. Reeve and to Mr. Carl Minton, Sr., the attorney for Mr. Reeve, that he was the sole owner of the Pacific Palmdale Development Co. [Tr. of Record, p. 81; Tr. of Record, p. 153]; represented that he had organized Pacific Palmdale Development Co. to benefit himself [Tr. of Record, p. 82], and Mr. Merrill L. Granger, the attorney for the bankrupt, represented that Mr. Hudson had a corporation [Tr. of Record, p. 161].

At this point it is worthwhile to note that the Petition in Bankruptcy was filed on April 19, 1954 by a voluntary Petition in Bankruptcy and the chronology of events relating to a contract between the bankrupt or his alter ego, Pacific Palmdale Development Company, and Lloyd R. Reeve, Inc.

On or about April 2nd or April 3rd, 1954, some 16 or 17 days prior to bankruptcy, negotiations commenced between Mr. Reeve and the bankrupt relating to a joint venture for the erection of train bins for Commodity Credit Corporation [Tr. pp. 71 to 76.]

On April 3, 1954 the Articles of Incorporation were mailed to the Secretary of State of the State of California, *supra*. On April 7, 1954 Mr. Reeve and Mr. Hudson met in Washington, D. C. for the purpose of submitting bids. [Tr. pp. 78 and 79]. On April 7, 1954 Hudson, ostensibly on behalf of Pacific Palmdale Development Company, executed a joint venture contract with Reeve through Reeve's corporation, Lloyd R. Reeve, Inc. [Tr. pp. 78, 79. Exhibits designated in Designation of Record on Appeal].

On April 6, 1954 the Pacific Palmdale Development Company was incorporated. (See answer of bankrupt and Pacific Palmdale Development Company; exhibits designated in Designation of Record on Appeal).

On April 8, 1954 Pacific Palmdale Development Company, through its directors, allegedly passed a resolution whereby the bankrupt was authorized to act as treasurer of Pacific Palmdale Development Company for the sole and limited purpose of executing the contract between Lloyd R. Reeve, Inc. and Pacific Palmdale Development Company. (See Exhibits designated in the Designation of Record on Appeal).

On April 9, 1954, ten days prior to bankruptcy, the bid was submitted to Commodity Credit Corporation [Tr. p. 92] and on April 17, 1954, two days prior to bankruptcy, a conditional acceptance was forwarded to Lloyd R. Reeve, Inc. by the Commodity Credit Corporation [Tr. p. 93], and on April 19, 1954, conveniently the day of bankruptcy, Lloyd R. Reeve, Inc. accepted the bid of Commodity Credit Corporation. [Tr. pp. 93, 94]. (Answer of respondents designated as an exhibit in the Designation of Record on Appeal.)

On May 21, 1954, without an assignment having been made by Pacific Palmdale Development Company, \$1,000.00 was paid by Lloyd R. Reeve to the bankrupt as part of the profits of the aforementioned contract with Commodity Credit Corporation. This is admitted by the bankrupt and the Pacific Palmdale Development Company. [Tr. p. 86].

On May 21, 1954, by and with the assignment of Pacific Palmdale Development Company, the bankrupt was paid an additional \$15,000.00 on account of profits and this was also admitted by the answer of the bankrupt and the Pacific Palmdale Development Company [Tr. p. 96] and on December 17, 1954 the bankrupt was paid an additional \$5,000.00 by and with the assignment of the Pacific Palmdale Development Company on account of profits due under the contract. This is admitted by the answer of the bankrupt and the Pacific Palmdale Development Company. There remains on hand approximately \$23,000.00 from the profits of the joint venture which are payable to either the Pacific Palmdale Development Company or this bankruptcy estate. (See Answer of defendant among Exhibits).

On April 20, 1954, one day subsequent to bankruptcy, the Board of Directors of Pacific Palmdale Development Company passed a resolution which, among other things, contained a resolution that the first \$50,000.00 payable to Pacific Palmdale Development Company under the joint venture contract of Lloyd R. Reeve, Inc. be payable to the bankrupt. (See Exhibits on file and designated in the Designation of Record on Appeal).

During all the times mentioned the bankrupt and his attorney, Merrill L. Granger, had an agreement whereby

the bankrupt was to pay his attorney 12 per cent of his earnings as attorney fees for services rendered. [Tr. p. 326]. Likewise, Mr. Granger was granted a 12 per cent interest in the Pacific Palmdale Development Company [Tr. p. 327]. Out of the funds received by Hudson, the bankrupt, Merrill L. Granger received 12 per cent of \$20,000.00 received by the bankrupt. [Tr. p. 327].

On April 19, 1954 the within bankruptcy proceedings were commenced by the filing of voluntary Petition in Bankruptcy, and the matter proceeded as a no-asset estate. No interest of the bankrupt in and to the Pacific Palmdale Development Company or any profits arising by virtue of the joint venture agreement heretofore referred to was made in the Schedules of the bankrupt. The bankrupt listed creditors in a total amount of approximately \$350,000.00 and the Trustee now has on hand a nominal sum of approximately \$150.00.

More than a year prior to the institution of the proceedings the above transactions came to the attention of the Trustee from a third party, and it was then and only then that the proceedings giving rise to this appeal were instituted.

### **Issues Involved.**

The appellee is of the opinion that the only issues involved are as follows:

(a) Whether or not the Pacific Palmdale Development Company was the alter ego of the bankrupt;

(b) Whether or not the assets earned under the joint venture contract between the Pacific Palmdale Development Company and Lloyd R. Reeve, Inc. are assets of this bankrupt estate.

## ARGUMENT.

### I.

#### **The Pacific Palmdale Development Company Was Organized Solely for the Purpose of Defrauding Creditors of the Bankrupt.**

The evidence presented at the trial before the Referee was direct and conflicting regarding the purpose of the incorporation of Pacific Palmdale Development Company. The bankrupt and his attorney testified that Mr. Granger, the attorney for the bankrupt, conceived the idea of incorporation and that this was merely a method whereby Mr. Granger would utilize the services of the bankrupt. At the conclusion of the hearing the Referee stated:

“The Court has made allowances for any possible bias or prejudice on the part of Mr. Reeve and Mr. Minton. In fact, it appears to the Court that if you entirely ignore the testimony which has been given by Mr. Reeve and Mr. Minton alone, that the conclusion is inescapable beyond a shadow of doubt that the Pacific Palmdale Development Company, and the preparation of the Articles of Incorporation in connection therewith, was originally intended to be used by Mr. Hudson in a real estate development transaction with Mr. Bloom, but that Mr. Bloom withdrew from that corporate setup, and that this hollow shell of a corporation, known as Pacific Palmdale Development Company, was used merely as a conduit or as an instrumentality to further the interests of Mr. Hudson, and to a lesser extent, the portion of the earnings which Mr. Granger, as his attorney, would receive for his legal services in that connection.” [Tr. of Record, p. 358].

The following facts testified to by the bankrupt and the bankrupt's attorney, and the other witnesses, conclusively

demonstrate that the Pacific Palmdale Development Company had no purpose save and except as an instrumentality to remove assets of bankrupt from the reach of creditors:

The bankrupt's assignment for benefit of creditors and the knowledge of the bankrupt and his attorney that the same was without release, [Tr. pp. 232, 233, 316 to 319]; the preparation and execution of an agreement allowing the wife to retain her earnings as separate property, the purpose being to enable the bankrupt to get started in business again without creditors of the bankrupt being able to attack his earnings [Tr. pp. 232, 233 and Exhibit "A" of the proceedings before the Referee]; the familiarity of the attorney for the bankrupt with creditors' rights law and his former specialization in that field [Tr. of Record, pp. 315 to 316]; the lack of any special knowledge or skill regarding construction of grain bins or the submission of bids on the part of the bankrupt's attorney [Tr. p. 326]; the personal knowledge and skill of the bankrupt regarding submission of bids and the erection and construction of grain bins [Tr. p. 272, 274]; the fact that the bankrupt was advised on many occasions that he could not accumulate substantial earnings without a release from his creditors [Tr. of Record, pp. 267 and 197]; the fact that Articles of Incorporation were signed more than a month prior to their filing and during the interim the entire purpose of the corporation had changed, and one of the incorporators gave notice of his withdrawal as an incorporator prior to the filing of the Articles of Incorporation, [Tr. of Record, pp. 357, 283, 284, 289 and 290]; the fact that the original purpose



of the corporation was not accomplished and was abortive [Tr. of Record, p. 306]; the fact that negotiations commenced between the bankrupt and Lloyd R. Reeve on April 2nd or 3rd, 1954 [Tr. of Record, pp. 72 to 74], and on or about that date the purpose of the corporation was changed and the Articles of Incorporation forwarded to the Secretary of State for filing; the fact that the bankrupt conducted all negotiations with Lloyd R. Reeve and arrived at a firm understanding prior to any written agreement or any mention of the Pacific Palmdale Development Company [Tr. of Record pp. 72-76]; the fact that the bankrupt on numerous occasions represented that he owned Pacific Palmdale Development Company or was personally the Pacific Palmdale Development Company [Tr. of Record, pp. 77, 81, 153]; in fact, the bankrupt represented that he organized Pacific Palmdale Development Company himself; the fact that the attorney for the bankrupt represented to the attorney for Lloyd R. Reeve that Mr. Hudson had a corporation; the fact that at the time of the drafting of the Articles of Incorporation and at the time of the filing of Articles of Incorporation with the Secretary of State, Merrill L. Granger, the attorney for the bankrupt, was advising the bankrupt regarding bankruptcy [Tr. of Record, p. 256]; the fact that the joint venture contract between Lloyd R. Reeve, Inc., and Pacific Palmdale Development Company contained terms to the effect that the personal services of the bankrupt be furnished and that the Pacific Palmdale Development Company could assign their interest to the bankrupt, (See Agreement of April 7, 1954 among Exhibits designated);

the fact that the bankrupt personally went to Washington, D. C. and assisted in the preparation of the bids submitted to the Commodity Credit Corporation and was the only person among those involved who had any special knowledge or skill regarding the preparation of such bids for erection of grain bins; the fact that no stock was ever issued by Pacific Palmdale Development Company and no application for a Permit to Issue Stock was ever made to the Corporation Commissioner of the State of California [Tr. of Record, p. 221]; the fact that Pacific Palmdale Development Company had no capital [Tr. of Record, pp. 324 and 330]; did not keep any ledgers or accounts and had no capital structure or financial transactions beyond its incorporation [Tr. of Record, p. 324]; the fact that the incorporators consisted of the bankrupt's attorney, who was allegedly to have a 12 per cent interest, which, coincidentally, was identical with an attorney fee arrangement between the bankrupt and the bankrupt's attorney which existed prior to bankruptcy [Tr. of Record, pp. 326-327], the son of the bankrupt, who resided in Portland, Oregon and was a mere 27 years of age and contributed nothing to the corporation [Tr. of Record, pp. 20 and 21], and the wife of the bankrupt, a housewife with five children, with no training in commercial pursuits and who owned no property other than property which was the result of earnings of the bankrupt [Tr. of Record, pp. 203 and 204]; the fact that on April 8, 1954 the directors of the Pacific Palmdale Development Company passed a resolution whereby the bankrupt was authorized to execute the agreement; the fact that the acceptance

of the Commodity Credit Corporation was not accepted by Lloyd R. Reeve, Inc. until April 19, 1954, the day of bankruptcy; the fact that on April 20, 1954, one day subsequent to bankruptcy, the Board of Directors of Pacific Palmdale Development Company passed a resolution whereby the first \$50,000.00 of the profits of Pacific Palmdale Development Company were assigned to the bankrupt (Answer of the bankrupt, among exhibits designated); the fact that approximately thirty-one days after bankruptcy the bankrupt was paid \$15,000.00 [Tr. p. 96] and was paid an additional \$6,000.00 constituting all funds paid over to Pacific Palmdale Development Company by Lloyd R. Reeve, Inc.

From the above evidence it should at once be apparent that the bankrupt could have contracted directly with Lloyd R. Reeve, Inc. without the medium of a corporation, and that all funds received as the Hudson or Pacific Palmdale Development Company share, were paid directly to Hudson. It should also be apparent that the only services rendered were services rendered by Hudson, that and that no services whatever were rendered by the Pacific Palmdale Development Company. In view of the knowledge of insolvency of the bankrupt and his attorney and the chronology of events above set forth, it is difficult, if not impossible, to believe the testimony of the bankrupt and of the bankrupt's attorney that the Pacific Palmdale Development Company was a legitimate corporation wholly dominated and controlled by parties independent of the bankrupt and organized only for the purpose of benefiting the bankrupt's attorney, and on the contrary it is at once apparent that the only purpose this corporation served was to insulate the bankrupt from his creditors.

This is further buttressed by the scathing denunciation delivered by the trial judge, the Referee in Bankruptcy, which may be found at pages 358 and 359 of the Transcript of Record, and the Findings of Fact and conclusions of Law of the Referee, specifically finding of intent to hinder, delay and cheat the creditors of the bankrupt, said Findings having been reviewed and affirmed by United States District Court. [See Findings of Fact XLVII, Tr. p. 32, Conclusion of Law X, Tr. p. 36].

## II.

**The Pacific Palmdale Development Company and John Lucas Hudson Should Not Be Heard to Complain of Lack of Proof of Divisibility of the Fund Created Contrary to Their Position Taken During the Trial.**

During the trial of this matter the attorney for Pacific Palmdale Development Company and John Lucas Hudson consistently took the view that any proof as to the divisibility of the contract between Lloyd R. Reeve and Pacific Palmdale Development Company of April 7, 1954 so as to divide services rendered prior to bankruptcy from those rendered subsequent to bankruptcy was immaterial and made numerous objections which were sustained by the trial Court regarding the materiality of this evidence. [See question asked on page 84 of the Tr. of Record and the Objections of Mr. Granger on that page]. At page 87 of the Tr. of Record the following question was asked:

“Q. (By Mr. Bartley): Mr. Reeve, you have just heard the Court read that portion of this contract which is Trustee’s Exhibit No. 1, which relates to the services of John L. Hudson in procuring and performing contracts from the Commodity Credit Corporation.

Now, to the best of your knowledge and as best as you can draw any cleavage and distinction between procurement of the contract and performance of the contract, what percentage of the services of Mr. Hudson was to be for the procurement of contracts and what percentage was to be rendered to your corporation in the performance of the contract.”

And on page 88 the objection of Mr. Granger to the above question was:

“MR. GRANGER: *That is objected to as incompetent, irrelevant and immaterial . . .*”

[See questions and objections as to divisibility on page 123 and 124 of the Transcript of Record]. [See questions and objections on page 132 of Tr. of Record].

The above references show that at the trial of the matter the introduction of evidence regarding the divisibility of the consideration to be paid to Pacific Palmdale Development Company and the introduction of evidence regarding the major inducement to Lloyd R. Reeve for entering into the joint venture contract were prevented by objections from counsel for the appellants regarding materiality of such evidence. The appellant should not now be permitted to take advantage of his own act of preventing testimony from being introduced by reversing his position and now arguing that such evidence was vital to the trustee's case, was material and that there was a lack of any proof regarding the same, when his whole position at the trial was that the same was irrelevant and immaterial.

III.

**The Major Inducement of the Joint Venture Contract  
Was Hudson's Ability for Procuring Acceptance  
of Bids.**

The evidence at the trial and the inferences therefrom make it quite clear that there never would have been a joint venture contract but for the fact that Hudson had experience in submitting plans and specifications, had an invitation to bid and have bids accepted by the Commodity Credit Corporation, [See Tr. of Record, p. 72]; that Hudson contacted Reeve and advised him that he had an invitation to bid and wanted to find someone who would go in with him on a grain bin deal, and the Transcript of Record where Hudson represented that he was going to put experience into the deal if Reeve would finance it. [Tr. of Record, pp. 73 and 74]. In answer to the question "By the grain bin work and the leg work, do you mean the procurement of contracts?" "A. And the manufacturing and erection of the bins. He was to assist me in all that work, yes."

It is uncontrovertible that Hudson went to Washington, D. C. and assisted in the preparation and presentation of the bids to the Commodity Credit Corporation. [See Tr. of Record, pp. 91, 136, 137 and 223]. Prior to the trip to Washington and the signing of the written contract of the joint venture Reeve and Hudson went over plans, made estimates, took off material lists, made arrangements for an influence man, etc. [Tr. of Record, pp. 136, 137]. Thus it is apparent that estimates and plans

were all prepared by the bankrupt and his assistants or associates prior to the time that Reeve and Hudson left Washington on April 9, 1954, some ten days prior to bankruptcy, and prior to bankruptcy the profits had been estimated and there merely remained the acceptance of the bid by Commodity Credit Corporation, which took place on the 17th day of April, 1954, *supra*, and the acceptance by Reeve which took place on the day of bankruptcy, April 19, 1954, *supra*. When the plans and specifications, lists of materials and estimates were made all preliminary work had been concluded and the work was performed by subcontractors to erect the grain bins in the field.

It is the contention of the appellee that once the plans and specifications had been drawn and accepted, the lists of materials and estimates made, that the nature of the services of Hudson in the performance of erection of the grain bins was not of such a special nature that any engineer or contractor could not have read the plans and specifications and arranged the fabrication of the grain bins, and that the contract was therefore assignable as to the performance features. Certainly, the major inducement to Reeve was Hudson's ability to prepare a bid from prior plans and specifications and to have the same accepted by the Commodity Credit Corporation.

IV.

**At the Date of Bankruptcy the Bankrupt or the Pacific Palmdale Development Company Had a Vested Interest in and to the Proceeds Arising From the Acceptance of the Bids From the Commodity Credit Corporation.**

A reading of the contract as a whole between Lloyd R. Reeve and the Pacific Palmdale Development Company reveals that after certain sums were paid to other parties, the net profits were to be divided equally between Lloyd R. Reeve and the bankrupt. The reference to net profits relates to profits arising by virtue of contracts for the erection of grain bins with the Commodity Credit Corporation. At the time of bankruptcy these bids had been submitted and accepted by the Commodity Credit Corporation. As pointed out in the argument, paragraph No. III above, prior to bankruptcy Hudson had performed the work which was the major inducement for Reeve entering into a contract with the Pacific Palmdale Company. Estimates had been made and a large profit was anticipated. Hudson could have assigned his interest to another party prior to bankruptcy.

Much is made by the appellants of the fact that it was some days after bankruptcy that the bankrupt agreed to accept the first \$50,000.00 of the net profits of the transaction and the bankrupt testified at some length that he merely expected to receive something for his services, and that no agreement had been made prior to his departure for Washington, or prior to his bankruptcy as to what compensation he would receive from the Pacific Palmdale Development Company.

We respectfully submit that this testimony was simply unbelievable in view of the facts set forth in the appellee's



Statement of the Case, *supra*, and the argument set forth in paragraph I of the Argument, *supra*, to the effect that Pacific Palmdale Development Company was organized solely to hinder, delay, cheat or defraud creditors of the bankrupt. It is simply unbelievable that Hudson personally contacted Reeve, offered to arrange the submission of the bids, provided the plans and specifications and his technical knowledge in return for financing by Reeve, all without any definite understanding as to what his share of the profits would be. The whole purpose of the Pacific Palmdale Development Company was to prevent creditors of Hudson from being able to attach or reach his interest in this very grain bin deal which so conveniently took place at or about the identical time of Hudson's bankruptcy. The law of the State of California is clear regarding assignments. *Cox v. Hughes*, 10 Cal. App. 553 (1909) at 561 holds that equity will support not only assignments and choses in action and all contingent interests and exceptions, but also things which have no present actual or potential existence but rest in mere expectancy.

This was not the situation of a contemplated contract between the parties, but a situation where an actual contract had been executed prior to bankruptcy, calling for personal services of the bankrupt, a substantial portion of which had been performed prior to bankruptcy; a situation where fabulous profits were anticipated by the parties to the contract from a third contract, the third contract being the contract for the Commodity Credit Corporation. The contract with the Commodity Credit Corporation was not a mere expectancy at the time of bankruptcy, but bids had been submitted and accepted by both parties at least on the very day of bankruptcy.

This was not a situation where future earnings from personal services was anticipated, but was a profit-sharing venture wherein profits had been estimated and were clearly anticipated prior to bankruptcy. This situation is not analogous to a situation where a bankrupt or wage earner or professional man is anticipating that he might be employed sometime in the future. This is not a situation where wages are involved, and if we disregard the entity of the Pacific Palmdale Development Company, was a situation where a joint venture agreement was entered into between two parties to share profits.

It is therefore respectfully submitted that the actual effect of the entity known as the Pacific Palmdale Development Company was to insulate the bankrupt from the claims and demands of his creditors as regards any profits or expected profits he had from the contracts relating to the erection of the grain bins.

## V.

### **The Pacific Palmdale Development Company Was and Is the Alter Ego of the Bankrupt.**

The arguments heretofore set forth demonstrate that the only purpose of the Pacific Palmdale Development Company was to hinder, delay, cheat or defraud creditors of the bankrupt, and that they actually did hinder, delay and cheat creditors of the bankrupt. The arguments heretofore advanced also demonstrate that the Pacific Palmdale Development Company had no capital structure, kept no ledgers, did not issue stock, and had only nominal shareholders consisting of the bankrupt's wife, son and

attorney, each of which contributed nothing to the corporation, and that but for concern about his creditors the bankrupt could have contacted directly with Lloyd R. Reeve, Inc. It has also been demonstrated that the bankrupt received all of the profits which were allegedly payable to the Pacific Palmdale Development Company. These arguments are incorporated herein and made a part hereof as fully as if set forth in detail herein.

“While a corporation is usually regarded as an entity separate and distinct from its stockholders, both law and equity will, whenever necessary, circumvent fraud or protect the rights of third parties, disregarding this distinct existence and treat them as identical.”

*Katenkamp v. Superior Court*, 16 Cal. 2d 629, 700, 108 P. 2d 1:

“It is not necessary that actual fraud be shown. It is sufficient if a refusal to recognize the fact of the identity of the corporate existence with that of the individual would bring about inequitable results.”

*Wenban Estate Inc. v. Hewlett*, 193 Cal. 675, p. 698, 227 Pac. 723.

*Minifie v. Rowley*, 187 Cal. 481, 202 Pac. 673.

*Jackson v. American Bearing*, 89 Cal. App. 2d 256.

*Marr v. Postal Union Life Insurance Company*, 40 Cal. App. 2d 673, 105 P. 2d 649.

See:

12 Cal. Jur. 2d p. 604, Article 8 and cases cited.

VI.

**The Incorporation of the Pacific Palmdale Development Company and the Agreement Between the Pacific Palmdale Development Company and the Bankrupt Were Void as a Fraud on the Creditors of the Bankrupt.**

If we were to accept the testimony of the bankrupt to the effect that he had no agreement personally regarding the amount he was to receive for his services rendered to Lloyd R. Reeve or the Pacific Palmdale Development Company as true, the entire transaction would be voidable under Section 70-a-4 of the Bankruptcy Act, U. S. Code, Title 3, Chapter 7 (Sec. 110), and the Bankruptcy Act, Section 70-a-5 for the reason that the bankrupt must have agreed to perform services in connection with the joint venture contract for Lloyd R. Reeve, Inc. as shown by the very contract executed between the Pacific Palmdale Development Company and Lloyd R. Reeve, Inc. which promised to make available the services of the bankrupt. As the bankrupt promised to render services, any transfer of his expected earnings from the performance of such services without consideration would, under Section 70, be a fraud on creditors. The record illustrates that such a transfer was made in that Pacific Palmdale Development Company was incorporated and the son and wife of the bankrupt were to be the principal shareholders and thereby to receive the profits arising by virtue of the joint venture contract, and they and each of them contributed nothing whatever to the corporation or to the bankrupt in return for his promise to perform services. The promise to perform services was therefore without adequate or full consideration or any consideration whatever.

The fact that the bankrupt had been receiving advice regarding his creditors, *supra*, had been contemplating bankruptcy, *supra*, had made a prior assignment for benefit of creditors, and had not been released, *supra*, clearly demonstrate that the bankrupt was insolvent at the time of the various transactions herein mentioned.

“A voluntary conveyance made by a debtor to a member of his family while insolvent, was in contemplation of insolvency, is conclusively presumed to be speculative as to existing creditors.”

*Adams v. Prather*, 176 Cal. 33, 167 Pac. 534;

*Carter v. Carter*, 55 Cal. App. 2d 13, 130 Pac. 2d 186.

## VII.

### The Right to Receive Money Due or to Become Due Under a Contract May Be Assigned.

In general, see 5 Cal. Jur. 2d p. 286, Sec. 13, and *Smitton v. McCullough*, 186 Cal. 530, 189 Pac. 686.

Though the contract itself is, by its terms, declared to be non-assignable or non-assignable because it involves personal skill and confidence.

*Green v. Mullaly*, 211 Cal. 77, 293 Pac. 619.

The fact that the assigned claim is for money to become due under a contract conditioned upon the future performance of undertakings by the assignor does not destroy its assignability under the argument that the debt has no present existence or is merely a possibility provided a satisfactory basis exists of finding that the future debt has a potential present existence.

*Lynit v. Alturas School District*, 24 Cal. App. 426, 5 Cal. Jur. 2d 283.

The assignment of claims for wages to be earned in the future affords a common illustration of the application of rule.

5 Cal. Jur. 2d 288, 5 Cal. Jur. 2d 295, Sec. 23;

*Cox v. Hughes*, 10 Cal. App. 553;

*Walter v. Rich*, 179 Cal. App. 139;

*Silverstein v. Oakland Title Insurance and Guarantee Company*, 122 Cal. App. 73.

### VIII.

#### **The Findings of the Referee Should Not Be Reversed Unless Clearly Erroneous.**

See:

*Gold v. Gerson*, 225 Fed. 2d 859, C. C. A. Ninth (1955).

These writers will not attempt to point out to the learned Court the law on whether or not they are bound by the trial Court's Findings of Fact. However, the appellants attempt to point out to the Court in the first paragraph of the appellant's argument that the Court is not bound by the trial Court's Findings of Fact, and cited numerous instances upon which they state that there is no conflict in evidence. We differ materially from the version of the appellants and believe that the record as a whole will demonstrate that every material issue was controverted by the appellants at the trial and that there was a direct conflict of evidence as regards each material point of the case.

There was a definite conflict in evidence as to whether Mr. Philip Bloom had any interest in the Pacific Palmdale Development Company or in the grain bin deal as evidenced by Bloom's testimony that he resigned on April

12, 1954 and disavowed any interest in the grain bin deal, *supra*; the written resignation of Mr. Bloom which was offered in evidence, *supra*, and the testimony of Mr. Minton that Bloom indicated to him that he had signified his resignation from Pacific Palmdale Development Company several weeks in advance of its incorporation, *supra*. It was also evidenced that the entire Pacific Palmdale Development plan was abortive, *supra*.

There was a definite conflict in evidence regarding whether or not Mr. Bloom was interested in getting into the grain bin deal in early April, as evidenced by the testimony of Mr. Bloom and the testimony of Mr. Minton that Bloom had withdrawn from the corporation several weeks prior to the grain bin deal, *supra*.

There was a definite conflict in evidence regarding Mr. Granger's advice regarding the financial affairs of the bankrupt as evidenced by both the testimony of the bankrupt's attorney and the bankrupt cited, *supra*, and the fact that the attorney for the bankrupt was preparing a Petition in Bankruptcy and advising the bankrupt in regard to bankruptcy at the time of the entire transaction, and had at a prior date prepared an agreement whereby the earnings of the wife were her own sole property, *supra*; the limiting of the authority to Hudson as an officer of the corporation at the time of the signing of the joint venture agreement, *supra*.

Item 2 in paragraph I of the appellants' argument is the very matter upon which there was more conflicting evidence than any other item, among which were various statements of Hudson to Minton and to Reeve that he owned the Pacific Palmdale Development Company and that he organized the same to benefit himself as well as the fact that Hudson conducted all negotiations with

Reeve, all sums realized were paid to Hudson, Granger had a nominal interest of 12 per cent which co-incidentally was identical with his prior attorney fee arrangement with Hudson, and many other facts testified to which made it clear that this version of the hearing testified to by Mr. Granger simply was not true. [See various references in the Transcript, *supra*].

As to Item 13 of paragraph I of the appellants' argument, there again was a substantial conflict of evidence, *supra*.

As to Item 15 of paragraph I of the appellants' argument, the bankrupt himself admitted on the stand that he expected to be paid for his services before he went to Washington, D. C., and the fact that he conducted all negotiations, all of the stockholders were either his relatives or his attorney, the corporation had no capital structure, and no purpose save and except to insulate Hudson from his creditors, plus the fact that conveniently the very employment agreement referred to in this argument was made one day after bankruptcy, all raise logical inferences that there was in fact no employment agreement and that the contract between Reeve and the Pacific Palmdale Development Company was in fact a joint venture agreement strictly between Hudson and Lloyd R. Reeve and that even if there were an employment agreement the same existed prior to bankruptcy.

The cases cited by the appellants on page 9 of the appellants' brief and on page 11 of the appellants' brief merely illustrate the well known rule of law that an



Appellate Court will not accept the findings of the trial Court if a plain mistake is shown. They do not stand for the proposition that there should be a trial *de novo* in the Appellate Court, nor do they stand for the proposition in cases such as the instant case where there is conflicting evidence on all material issues that the Appellate Court should not be bound by the trial Court's findings.

It is therefore respectfully submitted that the law in *Gold v. Gerson, supra*, is applicable to the instant case rather than the various cases cited by the appellants.

## IX.

**The Entire Argument of the Appellants Is Based on the View That Hudson Merely Had an Agreement to Perform Personal Services Which Was in the Nature of an Employment Contract.**

An examination of the argument of the appellants contained in paragraphs II, III, VI, VII and VIII reveals that again and again counsel for the appellants takes the position that everything payable to the bankrupt was in the nature of wages. It is argued that these are wages and wages are non-assignable, etc.

We believe that an examination of the various facts testified to and the very findings of the Referee. See Findings XXV, p. 25 Tr.; Findings of Fact XLVII, p. 32 of Transcript, and Conclusion of Law No. II, p. 34 of Transcript, and the appellee's Statement of the Case and references to the transcript contained therein, *supra*; where the evidence and the findings clearly demonstrate that the Pacific Palmdale Development Company was con-

ceived and incorporated for the purpose of hinder, delaying, cheating and defrauding creditors of bankrupt; where it is shown that the bankrupt had personally made an agreement with Lloyd R. Reeve prior to any mention of the Pacific Palmdale Development Company; where it is shown that the bankrupt could have executed a written agreement directly with Lloyd R. Reeve, Inc.; where it is shown that the agreement between Lloyd R. Reeve and the Pacific Palmdale Development Company was actually an agreement directly between the bankrupt and Lloyd R. Reeve, Inc.; where it is shown that the bankrupt himself received all of the profits allegedly due Pacific Palmdale Development Company, and where the chronology of events clearly demonstrates that the only purpose served by the Pacific Palmdale Development Company was to hinder, delay, cheat and defraud creditors of the bankrupt.

An examination of the joint venture agreement between Reeve and the Pacific Palmdale Development Company [Trustee's Ex. I at trial, designated among Exs. designated] reveals that this is purely and simply an agreement to divide the net profits of any grain bin contracts awarded to and performed by the parties during the year 1954. It is not an employment contract, nor does it purport to employ the bankrupt. The bankrupt or Pacific Palmdale Development Company is a principal in the contract and, while required to furnish services, the bankrupt is not an employee of Lloyd R. Reeve, Inc. We submit that the true nature of the contract is a joint venture contract to share in the profits of the grain bin transactions and that is exactly what took place shortly after bankrupt, and that all arguments regarding the performance of employment are therefore inappropriate.

X.

**There Was a Contract in Existence Between the Commodity Credit Corporation and the Bankrupt at Time of Bankruptcy.**

The evidence shows the Commodity Credit Corporation accepted the bids from Reeve on April 17, 1954, and that Reeve in turn accepted acceptances of the Commodity Credit Corporation on the day of bankruptcy. Not one scintilla of proof by way of defense was offered by the bankrupt or the Pacific Palmdale Development Company as to the precise terms of the contract between the Commodity Credit Corporation and Lloyd R. Reeve, Inc. The contract was admitted in the answer of the defendants. The fact that the profits were received under a contract was likewise admitted. No proof was offered regarding the bond requirements of the Commodity Credit Corporation. It is therefore submitted that there is no proof that the contract between the Commodity Credit Corporation and Lloyd R. Reeve was conditioned upon the posting of a bond.

The citations in the appellants' Argument No. 2 which are found on page 12 of the appellants' Argument, which refer to the Restatement of the Law of Contracts and to Williston on Contracts refer to counter offers and conditional acceptances by offerees, and throw no light whatever upon the problem at hand, nor do they reinforce the propositions asserted by the appellants.

The case of *Flynn v. Dougherty*, 3 Cal. Unrep. 412, 26 Pac. 831, refers to a contract to furnish stone in connection with a building to be erected for the State of California. It holds that the furnishing of a bond was a

condition precedent to the right of the materialman to file an action for damages and is a ruling on a motion for dismissal or a nonsuit. It does not stand for the proposition for which the appellant cited it.

## XI.

### **That It Would Be Inequitable to Not Penetrate the Veil of the Pacific Palmdale Development Company Has Been Amply Demonstrated.**

See Appellee's Argument No. V regarding the proposition that the Pacific Palmdale Development Company was the alter ego of the bankrupt. See appellee's Argument No. I that the only purpose of the Pacific Palmdale Development Company was fraud. See appellee's Argument No. IV that at the date of bankruptcy the bankrupt had a vested interest in the proceeds.

Cases cited in paragraph IV of the appellants' argument merely illustrate the position that the Court can pierce the corporate veil and refuse to recognize the separate entities, if to recognize the same would sanction a fraud or promote injustice.

We agree with the appellants' brief that the Bankruptcy Act is a benevolent statute and that it contemplates that an honest debtor may, under its influence, rehabilitate himself and submit that this was not an honest debtor and that the Referee had before him considerable evidence regarding the fraudulent intent of the bankrupt and his attorney and made detailed Findings of Fact regarding the fraudulent intent of both the bankrupt and the bankrupt's attorney, and that these Findings are adequately supported by the record.

XII.

**Whether or Not a Wife Must Consent to an Assignment of Future Wages Is Immaterial.**

The appellants overlooked the fact that the interest of Hudson was not wages but was an interest in profits arising under a joint venture contract. There is no question before the Court as to whether or not the bankrupt could have assigned wages. We are dealing with a present vested interest of the bankrupt in and to a share of profits, and we submit that the entire argument contained in paragraph No. 4 of the appellants' argument is irrelevant insofar as it relates to an assignment or assignability of wages.

XIII.

**In a Situation Involving Actual Fraud the Court Should Place the Burden Upon the Instigator of the Fraud, to Prove Separability of Consideration.**

The case of *Miller v. Wooley*, 141 F. 2d 837, cited by the appellants on page 21 of the appellants' brief has no application whatever to the instant case as this was a Chapter XI proceeding involving the Estate of John Barrymore and the issue involved was whether or not an attorney could retain a divorce fee paid him by Barrymore during the pendency of the Chapter XI proceedings. This case was in no way analogous to the instant case, nor was any rule of law therein announced in any way related to a situation such as we have in the instant case or the questions involved such as are involved in the instant proceedings.

The case of *in re Leibowitz*, 93 F. 2d 333, C. C. A. Third (1937), 115 A. L. R. 623, cited by the appellants on page 21 of the appellants' brief may be distinguished from the case at bar in that the bankrupt listed the com-

missions in his schedules and in that there was no fraud whatever involved. The only issue before the Court was whether or not the commissioners should be divided into those earned prior to bankruptcy and those earned subsequent to bankruptcy.

*In re Seiffert*, 18 F. 2d 444, D. C. D. Montana (1926) cited by the appellants on page 21 of the appellants' brief, related to a share crop agreement and may be distinguished from the instant case in that that case related solely to objections to the discharge of the bankrupt and in a discharge situation the degree of proof required by the Referee is considerably higher than the degree of proof required in the instant case. That case also involved an option to purchase. This case likewise did not involve any deliberate fraud or fraudulent scheme on the part of the bankrupt.

*In re Thomas*, 204 F. 2d 788, C. C. A. Seventh (1953) cited on page 22 of the appellants' argument may be distinguished in that the same involved a Petition to re-open instituted some eleven years after adjudication and rested on the fact that there was no finding regarding the portion of the fee earned prior to bankruptcy and was decided on the basis that the amount involved arose by virtue of trustee's fees allowed by a State court which did not occur until the bankrupt made a final account to the Court and that the same was subject to Court approval and therefore not due on the date of bankruptcy. Such is not the instant case where we have a vested contractual right of the bankrupt to share in the profits of the joint venture. The *Thomas* case is therefore not applicable.

*Lockhart v. Mittleman*, 123 F. 2d 703, C. C. A. Second (1939) cited in page 22 of the appellants' brief

may likewise be distinguished in that that case involved no fraud whatever, no fraudulent claim on the part of bankrupt to conceal assets from creditors, and like the *Thomas* case, *supra*, involves a State Court Trustee, the trustee's fee being subject to award of Court and no fee being due until an accounting by the Court was approved and is based upon that reason. That case is also a case on N. Y. State Law relating to State Court Trustees and it is respectfully submitted that the case has no applicability to the instant case nor is it analogous.

*In re Coleman*, 87 F. 2d 753, C. C. A. Second (1937), cited at page 23 of the appellants' brief, may likewise be distinguished in that that case involved a disbarred attorney who was entitled to no fees whatever until he had concluded a law suit. This was a contingent fee case and the decision was based upon the fact that under the State law the attorney would be entitled to nothing as he wrongfully terminated his employ by causing himself to be disbarred.

The Court stated that the significant feature is that there be a calculable value regardless of conditions. In the instant case, the bankrupt's rights under the contract of April 7, 1954 must certainly have had a calculable value and in view of the above distinguishing facts the *Coleman* case should have no applicability to the instant case, coupled with the fact that there was no scheme to hinder, delay, defraud or cheat the creditors of the bankrupt.

In the case of *Mersfelder v. Peters Cartridge*, 130 Ohio, C. C. N. S. 220, was a State Court decision in no way binding or persuasive authority regarding the Federal Bankruptcy Act.

It is respectfully submitted that in the instant case not only did the bankrupt fail to schedule any interest in the joint venture contract and any interest in the Pacific Palmdale Development Company, but commencing approximately nine months prior to bankruptcy engaged in a deliberate scheme to hinder, delay, defraud and cheat his creditors starting with the execution of an agreement to make his wife's property her separate property, culminating in the incorporation of a hollow shell of a corporation to channel his profits of a joint venture contract in such a manner as they would be insulated from creditors. In none of the cases cited by the appellants was there any such a deliberately devised scheme to hinder, delay, cheat and defraud creditors. While the appellee has been unable to locate any case authority to the effect that the bankrupt should be put to the burden of proof in a case of deliberate fraud, the appellee believes that this is a sound proposition and that the cases cited by the appellants have no applicability to a flagrant set of facts such as have been disclosed in the instant proceeding.

### **Conclusion.**

We respectfully submit that the entire argument of the appellants is based on the mistaken assumption that Mr. Hudson was a mere employee and upon a distorted view of the facts which would have the Court believe that this is a simon-pure bankrupt who had no intention whatever of defrauding creditors and that even if he had had such intent, that creditors were not injured. On the contrary, at the time of bankruptcy, the Pacific Palmdale Development Company, being the alter ego of the bankrupt, the bankrupt had a vested interest in and to substantial profits which were realized and partially paid within approximately a month of his bankruptcy proceed-



ings. The Pacific Palmdale Development Company had no capital, no capital structure, and it is pointed out in the argument had no purpose save and except to hinder, delay and defraud the creditors of the bankrupt. The record is replete with evidence that the motivating factor behind the transaction was knowledge that the bankrupt was insolvent and that creditors could get at the interest of the bankrupt provided he accumulated any funds. At the very time of the execution of the agreements in this matter the bankrupt was preparing for bankruptcy and subsequently made no mention in his schedules of the entire affair.

It would indeed be a shocking travesty of justice if a bankrupt, such as the bankrupt in the instant case, could, without making any mention to the bankruptcy court, incorporate a corporation 13 days prior to bankruptcy, and enter into a joint venture, the result of which was to realize at least \$44,000.00 to the bankrupt and yet have no portion of these moneys deliberately concealed from creditors, vulnerable to creditors. It would also be shocking if a bankrupt could, by delaying the acceptance of a contract until the very day of his bankruptcy, or the day afterwards, then be heard to argue that the profits realized were non-divisible and that by his own wrongful act, with Court sanction, he had placed his concealed funds beyond the reach of his creditors.

We therefore respectfully submit that no error has been shown on the part of this appellant and that the order of the District Court in this proceeding should be affirmed.

Respectfully submitted,

CRAIG, WELLER & LAUGHARN,

By WILLIAM E. BARTLEY,

*Attorneys for Appellee.*



No. 15,110

IN THE

# United States Court of Appeals

FOR THE NINTH CIRCUIT

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JOHN LUCAS HUDSON, SR., and PACIFIC-PALMDALE DEVELOPMENT COMPANY, a corporation,

*Appellants,*

*vs.*

WILLIAM A. WYLIE, as Trustee in Bankruptcy of the Estate of John Lucas Hudson, Sr., a bankrupt,

*Appellee.*

---

Appeal From the United States District Court for the Southern District of California, Central Division.

---

## PETITION FOR REHEARING.

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FILED

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**PETITION FOR REHEARING.**

---

*To the Honorable Homer T. Bone, Stanley Barnes, Circuit Judges, and John R. Ross, District Judge, of the United States Court of Appeals for the Ninth Circuit:*

John Lucas Hudson, Sr., bankrupt, and Pacific-Palmdale Development Company, a corporation, appellants, respectfully petition this Honorable Court for a rehearing in the above-entitled matter and that such hearing be by the court, en banc, all upon the following grounds:

1. The decision on appeal erroneously states California law on

(a) What constitutes wages or salary, and

(b) The assignability of wages or salary;

2. The decision erroneously finds fraud on the part of appellants, basing it mainly on extremely biased and wholly false testimony of trustee's principal witnesses, and incorrect applications of legal precedents;

3. The decision erroneously holds the joint venture contract divisible as to compensation for effort before and after adjudication, and

4. Erroneously upholds an estoppel against appellants, contrary to the record and assuming facts which do not exist.

### **Preliminary Statement.**

If the opinion of this Court of Appeals is allowed to stand, a grave miscarriage of justice will follow. Its recitals sharply oppose appellants' protestations of the bankrupt's honesty. Until Hudson filed his schedules herein, his was a history of honest conduct and the record does not show otherwise. The opinion said of his earlier assignment to creditors "which, so far as we can ascertain, amounted to little or nothing" (p. 2). At Hudson's cost, the assigned property had a value amounting to about \$100,000 and included about a dozen valuable trucks, some costly equipment, real estate worth many thousands of dollars and no little bit of cash on hand. What more can creditors expect of a man who fails while working in good faith? The opinion holds him dishonest only because he did not schedule a continuing contract under which he was to receive gain. We are dealing with the Bankruptcy Act and California Labor Code. Both are to be interpreted liberally in favor of the debtor. Hudson claims but the ordinary interpretations of the law and that thereunder he did not have to schedule the contract. The opinion holds that he did, but, we respect-



fully submit that in reaching its conclusions, the opinion ignores plain recitals of California law, misquotes and misinterprets appellants' important authorities, and with a hostility, apparent and unexplained, strains at unfavorable inferences and bars normal inferences from the evidence. By such means, any erroneous decision may be sustained.

In a general résumé of the case it appears that under the joint venture agreement, Exhibit 1, Reeve was obliged to give his associate joint control of the venture funds, purchase orders and subcontracts. These afforded the only supervisory check against Reeve who carried on in his name a contract involving over \$1,000,000 in erected bins. From the time the first payment of \$100,000 was paid by the government, Reeve refused all joint control and none was ever allowed by him, this resulting in a state court action against Reeve for appointment of a receiver and accounting. A partial audit under court order disclosed that Reeve had used thousands of dollars of joint funds for himself. He opposed vigorously all steps in the state court case which was finally set for trial on October 10, 1955, after pending well over a year. The project promised about \$100,000 profit [R. pp. 95, 354]. Of this appellants would receive about \$50,000. After payment of \$20,000 to Hudson with consent of Pacific-Palmdale Development Company, appellants sought \$30,000 more through the action. During its pendency, Reeve and his attorney, Minton, made several threats that if the case was not settled on their terms they would see that Hudson's trustee was informed so he could take over for appellants, who ignored the treat and did not settle. About 4 months before trial date, Minton imparted information resulting in this proceeding. Reeve and Minton testified they never made the threats [R. pp. 118,

180-181]. Granger testified Minton did make the threats [R. p. 259]. Who falsified?

Reeve and Minton, for Reeve's false testimony clearly appears later in the record. Also Minton had known of the pendency of the bankruptcy in the summer of 1954 *before* payment of the \$15,000 profit to Hudson [R. p. 180]. Reeve knew of it from the outset [R. p. 178]. If Reeve and Minton were not awaiting an improvement of their position in the state court case through the threat why, with knowledge of the bankruptcy, was their desire for justice to the creditors unexpressed until after \$20,000 had been paid to Hudson and just shortly before trial of the state court case when Reeve must submit his records for thorough inspection and give testimony on his stewardship of over \$1,000,000?

Reeve denied Hudson rented the plant site at Sacramento, purchased lumber, arranged for labor and freight cars and set up plant equipment [R. pp. 115, 116]. Yet Reeve had knowledge of this work because no one else did it and he paid the bills, in addition to being at Sacramento during fabrication period at various times. He directed the preparation of Exhibit B for identification but refused to identify it [R. p. 113]. He would not recall Hudson as the moving spirit in procuring the performance bond that saved Reeve from imminent financial ruin under circumstances he could never forget. Reeve testified that on Saturday or Sunday, May 1 or May 2, 1954, just before the bond was put up, he, Hudson, Granger and others were in Reeve's office trying to get the bond [R. p. 107]. There then appears his later refusal to acknowledge that Hudson was then there [R. p. 114]. There are many instances where positive statements of Reeve could have been refuted but for the handicap under which appellants labored at the referee's hear-

ing. The hearing was summary, on five days' notice, but lasted several days and yielded 230 pages of transcribed testimony. The trustee's attorney thought it would require an hour [R. p. 66]. The referee deemed even that a lengthy hearing. The transaction under scrutiny involved over \$1,000,000 in erected bins, 18 months of effort from early April, 1954, to September, 1955, and, besides, was carried on at two sites, Sacramento and Los Angeles, separated by hundreds of miles. Probable witnesses were from a crew of men, disbanded for more than a year at a point far distant from the forum. The difficulties of defending at the hearing were abnormally severe, but were critically so when unexpectedly Reeve put the bankrupt in a bad light by false and uncertain testimony. With a fair chance at preparation, the appellants could have assembled the evidence which would certainly correct much of the wrong impression that Reeve gave.

The projected opinion concedes that appellants may not have had larceny in their hearts (p. 14). This is indeed the fact. But in the same breath, the next to the highest court in a nation dedicated to truth and fair dealing confirms a fraud that does not exist. Appellants have truth and innocence on their side and this must and will be demonstrated.

### Grounds for Rehearing.

Appellants contend for this rule of law: If Hudson, at the time of his adjudication, was working under a continuous contract calling for his services, and if his compensation could not be divided into that which was payable for services performed before and after adjudication, and if his substantial effort was essential to complete the work and create the source of his pay, the entire compensation belongs to him and none to his trustee. If this

rule of law applies, Hudson's honesty is established. If it does not apply, he has either misinterpreted the law innocently or intentionally. But one thing is certain, there is no suggestion of his dishonesty unless that rule of law is rejected under the facts of the case. Appellants complain that the rule of law has been rejected by devices which are not sound and which, if resorted to, could confirm any erroneous decision. Let us consider them.

The opinion holds that Hudson's gain was "profit," not "wages" or "salary" but reaches this conclusion by doing violence to the meanings of ordinary terms and disregarding California statutory and case law on the subject.

Webster's Collegiate Dictionary, Fifth Edition, defines "salary" as a fixed compensation paid for services. It defines "wages" as "pay given for labor—at short, stated intervals as distinguished from salaries or fees." But under the division of Theoretical Economics the term "wages" is defined as including "wages of management or superintendence which are earned by directing the work of others." This is the work that Hudson was to do. He was going to and did set up a crew and manage and superintend their labor in setting up a fabricating facility, and fabricating and shipping bins. Webster says the pay for such work, impliedly involving skill and experience in the work, is a "wage." But the opinion (p. 12) says that under his contract Hudson was to put in "skills and experience" and this entitled him, not to "wages" but a share in the "profits" of the joint venture. At this point let us examine the case of *In re Sieffert*, 18 F. 2d 444. He shared a percentage in "grain" from a ranch operation and did not schedule the contract which entitled him thereto. It was held that he was entitled to such grain as compensation for his skill and experience and he

did not have to schedule it. The opinion seeks to avoid the impact of the *Sieffert* case by saying that because Sieffert had an option to take wages at \$40 per month or a percentage of the grain, the "wage" element was wiped out by exercise of the option *after* adjudication. This is specious reasoning and should not be resorted to simply to establish Hudson's dishonesty or to avoid the normal impact of the rule of law giving a bankrupt his earnings after adjudication. Such reasoning is not the liberal construction the law allows to save a man's earnings to him after adjudication. Sieffert had the option when he was adjudicated. Its exercise related back to the commencement of his contract. The option was a property right and to be consistent, the opinion at bar would have to hold that such property right passed to the trustee and the grain was "profit," not "wages" and should have been scheduled. Hence, the opinion at bar and in the *Sieffert* case differ on a simple application of the same rule of law, Sieffert being liberally treated as the law contemplates. The dictionary defines "profits" as "excess of returns over expenditures." Under these normal definitions of the terms, Reeve's share of the gain was "profit" and Hudson's share of the gain was "wages" because they compensated only his services.

The opinion holds definitely that "Hudson was not entitled to wages, nor did the joint venture contract so provide" (p. 13) and also states that even if his compensation was held to be wages, they were unearned at the time of adjudication and being coupled with an interest by contract with Reeve, passed to the trustee under the doctrine of *Cox v. Hughes*, 10 Cal. App. 553, 102 Pac. 956, of which the opinion states "we take to still be the law." This latter statement wholly disregards the provisions of Section 300 of the Labor Code of California

which completely outmodes the *Cox v. Hughes* rule and says no wages shall be assigned unless earned and then only with the signature of the wife of a married debtor. *Lande v. Jurisich*, 59 Cal. App. 2d 613, 616-619, holds that the Labor Law is a remedial statute and *must* be liberally construed to protect the wage earner; also that the law of California was completely changed by the provisions which now appear in Section 300. *Reynolds v. Reynolds*, 14 Cal. App. 2d 481, 58 P. 2d 660, says: "A fee is compensation and compensation is salary." *Kirkwood v. Soto*, 87 Cal. 394, says: "'Wages' and 'salary' as here employed (in legislation) are comprehensive terms and must be interpreted in their broader sense to mean compensation for services, whether such compensation is limited to a fixed sum of money or is payable in fees." In *United States v. Gerdell*, 103 Fed. Supp. 635, 638, it is stated: "California decisions hold that the modern statutory usage of the word 'salary' is intended to embrace all forms of compensation." Appellants urge that under the contract calling for compensation for his services, Hudson's compensation was wages or salary and did not pass to his trustee under the rule.

The opinion denies the application of the case of *In re Leibowitz*, 93 F. 2d 333, and other cases cited on pages 15-18 of Appellants' Opening Brief and completely misstates the rule of the *Leibowitz* case which this very court has cited with approval. The opinion states:

"The court there pointed out that regardless of the law of the state of domicile the provisions of the Bankruptcy Act cut across state law and that the *right to collect money in the future is such right as will pass to the trustee whether or not capable of being assigned under the state law.*" (Italics added.)

The *Leibowitt* holding is exactly to the contrary as will be noted from these recitals of its opinion:

“ . . . one need only examine the sections of his contract of employment in order to see that substantial service must be rendered by the bankrupt in order that the compensation referred to may become payable by the insurance company. . . . What ever may be the rights of a creditor ordinarily created under the law of New Jersey, the Bankruptcy Act necessarily cuts across such purported rights. It is the undoubted policy of the Bankruptcy Act (11 U. S. C. A., Art. I et seq.), and it is a truly salutary one, that wages earned by a bankrupt after his adjudication become his absolute property. It is true that a substantial portion of the services creating the obligation for compensation were rendered prior to adjudication *but it is clearly stated by the referee* ‘there is no way of separating the compensation for what is done (by the bankrupt) before and what is done after adjudication.’ Since the productive elements of the bankrupt’s labor are inseparable in period of time, we hold that no contract rights therein can be deemed to pass to his trustee.” (Italics added.)

In the case at bar the burden was on the trustee to show a separability of the compensation. He did not discharge that burden. The referee did not and could not so find and without the finding his decision was error.

The opinion seeks further to avoid application of the rule by holding the joint venture contract (1) divisible, and (2) if not, Hudson’s real effort was only for procurement and ended when the bid to the Commodity Credit Corporation was filed on April 9, 1954, prior to adjudication. The contract calls for “services” in “procuring and performing” a bin building contract. In construing a contract the effort should be, not to force af-

firmance of a trial decision, not to gain money for the creditors, not to define a fraud where but for the forcing none exists, but rather to determine the true intention of the parties by accepted standards of proof. The contract in the case at bar is as indivisible as in the *Leibowitt* case where the court said "one need only to examine the . . . contract to see that substantial service must be rendered" after adjudication. There the court accepted the recitals of the contract to determine indivisibility. Why is this not done in the lower court and on appeal here? In the case at bar we additionally have the parties' declarations of what they intended by the contract: Reeve said, "All I was supposed to do was to handle the financial set up. Mr. Hudson was supposed to have an organization that he would move in to build the bins" [R. p. 129]; "Mr. Hudson was to spend his full time to the execution of the contract in every way he could" [R. p. 130]; "He was to put that knowledge into the grain bin deal and actually do the leg work" [R. p. 73]. Again, when asked if Hudson assisted in "performance" Reeve answered: "He did" [R. p. 94]. He stated Hudson went to Sacramento (after adjudication) for the purpose of setting up the plant [R. p. 115]. Hudson testified that he went to Sacramento and checked in at the Hotel Senator and was continuously there until the 28th setting up an organization when he returned to Los Angeles to help Reeve get a performance bond [R. pp. 224, 225]. Also Reeve stated the bankrupt "has been asked for counsel and collaboration on everything that is entirely on the contract" [R. p. 133]. Here is statement by witnesses on both sides as to their intentions in formulating the contract and how they themselves construed it by performance thereunder. The only feasible import of this evidence is that the parties themselves intended that Hudson should perform as



well as procure and that he did substantial work in actual performance. How can there be any doubt of Reeve's intention in the face of his testimony:

“Q. Would you have entered into the grain bin contract had it not been for the representation to you by Mr. Hudson of his experience in the building of grain bins? A. No. No. Absolutely not.”  
[R. pp. 139-140.]

By rejecting the plain provisions of the contract which are not divisible, by rejecting the expressed intentions of the parties as to the desired effect of the contract they drew, by rejecting what they did in consummation of the contract, the opinion seeks to make for the parties a contract they did not make for themselves. Even equity will not do this, and certainly it should not be done to establish a fraud where none exists.

The opinion discounts the importance of Hudson's skill and experience in the performance feature of the contract by asking: “What then was there for Hudson to do after a contract had been obtained?” (Op. p. 21) and then proceeds:

“. . . nothing except being available in the event Reeve wished to consult him . . . ‘procurement’ was the task to be performed by Hudson and from then on it was up to Reeve to supply all financing, all management, all labor, all material . . . .”

Such statements are not proper inferences from and are contrary to the evidence and clash with plain provisions of the contract, the intentions of the parties and their own construction by their conduct. The opinion incorrectly assumes that Reeve could have built the bins and erected them as routine work of a good construction man without Hudson's help once the bin contract was procured. To

be realistic about this subject one must recognize that a "good construction man" who can get a contract to build a \$1,000,000 building is established with an office, office force, superintendents and, principally, subcontractors of known quality. How different it is to allow such a man a year or more to build a building in one spot, than to start without plant site, without superintendents, without a force of labor, without materials, without arrangements for freight cars, without operating equipment, to "fabricate" to a 45-day deadline and erect to a 14-day deadline, \$1,000,000 in erected bins, with point of fabrication 300 miles from the office and erection 1,500 to 2,000 miles from point of fabrication, fabrication to be by one crew and erection to be by another. The bonding company knew the difference and because of it declined Reeve a bond when Reeve thought he certainly would get it [R. p. 107]. The reason the San Francisco Company issued the bond on Haye's solicitation was because he could assure them that Hudson would be in charge of fabrication and erection and could meet the deadlines and avoid heavy penalties. Had not Reeve had Hudson's experience and skill in mass production Reeve would have finished the experience utterly insolvent.

The opinion seeks to penalize appellants by holding they are estopped to complain that no evidence is in the record which allows a division of the contract into services for procurement and those for performance. The record on this question is that when trustee's counsel sought to get Reeve to divide Hudson's services accordingly, appellants objected. The question and others like it asked for Reeve's opinion only. Reeve was not competent to make that division as that was the province of the court upon competent evidence. The opinion invokes the rule which

is well stated in *Missouri I. & T. Ry. Co. v. Elliott*, 102 Fed. 96, 103, and is clearly to the point that it applies only when a party has, by his objections to *competent* evidence thereby contributed to an *erroneous* ruling which excludes that evidence. All reasons for estoppel exist under such circumstances. But Reeve's opinion was not competent evidence and none to take its place was ever offered [R. pp. 84, 88-89, 123-124]. Reeve testified he had had no discussion with Hudson as to what percentage of his services were in connection with procurement as distinguished from performance after the award of the bin contract [R. p. 130]. Appellants' objections brought about only the exclusion of incompetent opinion evidence. If an estoppel should result therefrom, justice could never follow on appeal, as a case would be presumed if only the excluded incompetent evidence were offered at trial. Appellants' fair treatment of trustee's effort to prove his case at trial is clearly indicated when, little thinking of this issue of estoppel, they avoided nevertheless the effects of it by stating:

"I would forego my objections to the competency of the witness if the effort were made to establish these points: What did Mr. Hudson do? What time did he put in? What trips did he make? What was his effort? What hours did he put in on the procurement of the contract? I think perhaps Mr. Reeve could testify competently to that within the limits of his own knowledge. . . . Beyond that, we are faced with the bald question of whether or not, under a contract like this, procurement and performance are at all divisible."

Trustee's counsel then said:

"I will reserve the question and do as Mr. Granger suggests." [R. pp. 89-90.]

Appellants objected only to the opinion of a witness but *offered not to object to facts* on which the court could base a division, if a division were proper. Surely under this record the suggested estoppel does not lie.

The opinion avoids applying the rule of the *Leibowitt* holding by declaring the vital part of Hudson's work of skill and experience and service was done by April 9, 1954, immediately prior to filing of the initial bid with the Commodity Credit Corporation and therefore his compensation for same passed to his trustee on April 19th following. This is not the fact nor the law, as we will show.

As the opinion declares, so did Reeve himself seem to think, that a "good construction man" would be able to do the grain bin job without difficulty and Reeve accordingly thought he could get a performance bond from a surety company that knew him well. Reeve was astounded when that company, *after Reeve had accepted the grain bin contract*, declined to issue the \$343,000 bond. The company was of the opinion that the job was beyond Reeve's ability to do [R. p. 107]. Reeve learned of this refusal late in April, *after Hudson had gone to Sacramento* on the 20th to organize the fabrication facility and obtain materials. While at Sacramento, Hudson ordered about \$60,000 in materials. When Reeve was refused a bond, it resulted in all Los Angeles surety companies declining thereafter to do so. On April 30, 1954, Reeve did not yet have the bond. Ten days *after* Hudson's adjudication, the bin contract was not yet safely "procured." Reeve was required to deposit a bond of \$343,000 within the 10 days or face cancellation. Reeve could not salvage much from the materials then specially ordered and faced a loss which would ruin him financially. On Saturday, May 1, 1954, while Patterson, Wilbur, Reeve, Granger

and Hudson were together in Reeve's office, it was reported erroneously that the contract had been cancelled at Washington. Instantly Reeve broke down and sobbed convulsively as he faced insolvency. It was then that Hudson, performing a task which, as to his compensation, was inseparable from any other effort to "procure" the bin contract, called upon his own skill, experience and contacts and telephoned Hayes at Portland, Oregon, and arranged for Hayes to fly to Los Angeles, which he did, arriving near noon and the next day, Sunday, when he was met at the airport by Granger and Hudson. Throughout the rest of Sunday, Hayes was briefed on the grain bin deal with particular information which was selected and evaluated by Hudson and flew that night to San Francisco where, early Monday morning (the very day the contract was to be cancelled), he obtained the bond. The margin of time was so narrow that to avoid cancellation a telegram was at once sent to Washington stating the bond was in the mail. The day was saved. Reeve was recovered from the very brink of financial ruin all by Hudson's alertness, knowledge and experience, effectively used on *procurement* more than 10 days *after* adjudication. On April 19, 1954, the interest of the bankrupt or Reeve in the grain bin deal, limited by circumstances then known to exist, was not worth a single dollar on the market without application in the future of Hudson's skill, experience and service. When Hudson was adjudicated there was no fixed sum earned and payable without future service and any division of compensation as of then but at a later date is speculative and uncertain and contrary to law.

Pacific-Palmdale Development Company was not the *alter ego* of Hudson. It was formed with Phil Bloom, with no capital structure which allowed for the entry of a financing agency when found and as it might direct.

Hudson would have been but an employee. When suddenly switched to the grain bin deal it lost nothing of its former character. The only difference was that Reeve had his own corporation and Phil Bloom had no interest in the bin deal. Hudson was yet engaged as an employee, all with innocent intent and with no damage to Hudson's creditors because his pay was as subject to their demands while owing by Pacific-Palmdale Development Company as it would be were it owing by Reeve to Hudson. Hudson's connection with Pacific-Palmdale Development Company and the bin deal was never concealed, nor was the fact of his bankruptcy. We have seen that Reeve knew of the bankruptcy at the outset, Minton knew of it before the \$15,000 was paid, and more importantly, Hayes, the very man who obtained Reeve's performance bond and was called down to Los Angeles by Hudson, is himself listed as a larger creditor of Hudson in this bankruptcy matter. Hayes obtained the bond for Reeve, not only knowing of Hudson's connection with the deal but because of that very connection.

Had Hudson dealt with Reeve as a joint venturer, under the *Leibowitz* rule Hudson would have been entitled to his earnings under the contract. This being true, his creditors were entitled to no part thereof and so, have no interest in any corporate structure through which Hudson might channel his earnings, even to the point of giving them away. No creditor has been damaged by the family nature of the corporate structure because it did not divert earnings from Hudson nor conceal them. They were paid directly to Hudson by assignment and with-

out any deduction whatever. Under such circumstances it should be clear that no fraud was intended or existed.

In closing we would indicate that portion of the opinion which says that out of the first \$42,000 received, \$21,000 was paid to Hudson (p. 7) and that this indicated that Hudson was then entitled to one-half share of the profits without anything further to be done on his part (p. 21). No \$42,000 payment was ever received. The first payment approximated \$100,000 but the \$1,000 refund of expenses was at one time, \$15,000 was paid at another time and \$5,000 paid months later. The state court action was to get the balance of about \$30,000 when it became payable. The joint venture agreement contemplated periodic payments to both parties, as the project's requirements might allow. A payment to Hudson no more indicated his work was over than a like payment at the same time (which is how the payments were made) indicated that Reeve's services were also at an end.

It is respectfully submitted that the joint venture agreement is not divisible as to compensation before and after adjudication; that were it divisible there was no evidence or finding as to the rate of division; also that as important services on procurement and performance were performed and required after adjudication, the entire compensation belonged to appellants.

Respectfully submitted,

MERRILL L. GRANGER,

*Attorney for Appellants.*

**Certificate of Counsel.**

I, MERRILL L. GRANGER, counsel for Petitioners in the above entitled action, hereby certify that the foregoing petition for rehearing of this cause is presented in good faith and not for delay, and in my opinion is well founded in law and in fact, and proper to be filed herein.

MERRILL L. GRANGER,

*Attorney for Petitioners.*



